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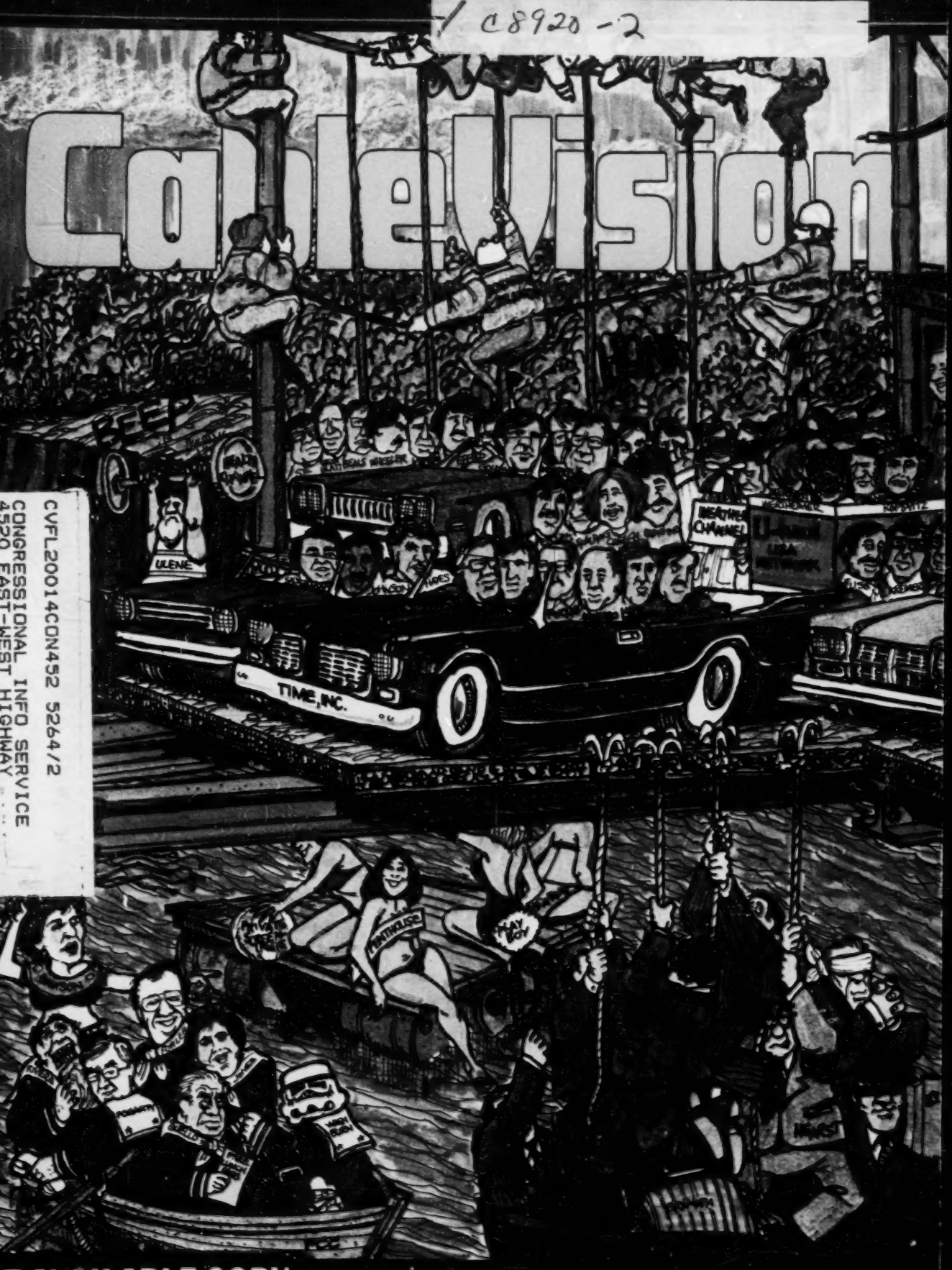

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December 7, 1981

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Making a solitary buy

The recent exclusive license agreement between HBO and Columbia Pictures has attracted as much attention as the aborted Premiere proposal. The issue at stake is film exclusivity. **Page 19.**

On the spot

The ACSN-produced closed circuit teleconference that featured NCTA president Tom Wheeler allowed him to discuss the controversial copyright compromise with numerous operators. **Page 23.**

On target

Satcom III-R has so far lived up to expectations following its November 19 launch. **Page 24.**

Refranchising drama

The franchising battles in the major markets are almost over, but a new era of franchising looms on cable's horizon—refranchising. Contracts signed years ago are about to expire. *CableVision* examines this new era in the cable industry. Will companies raid other MSOs' properties? This answer is not clear, yet some cable operators are beginning to worry. Discussions among many people in the industry are highlighted in this Western Show feature story as refranchising comes of age. **Page 14.**

From magazine racks to cable

Family Circle, *Better Homes and Gardens* are in, with Hearst and *Playboy* ready to move, as the magazine end of the fourth estate lays its resources on the cable table. Providing programming is the key. **Page 32.**

Soliciting opinions

CableVision surveyed a wide cross-section of operators in seeking out their thoughts on the present state of programming services. Some agreed that the industry has a sufficient number; others, however, are interested in some new ones: science fiction, documentaries and a historical channel. **Page 52.**

Every move counts

Several key executives in cable, along with Bob Arum of Top Rank, discuss the future of pay-per-view. Boxing has already proven its value at the cable box office. What remains to be tapped is anyone's guess, they say. **Page 72.**

Surf's up

A rundown on who's who in the cable programming production business in the movie capital of the world, California, and more specifically, Hollywood. West Coast bureau chief Patricia Goldstone talks with various studio executives and others about basic cable and made-for-pay programming. **Page 91.**

Case study

Independent cable operator Arlington Telecommunications, or ARTEC, often referred to as the nation s "Cable Showcase," shows how refranchising in action can have a positive conclusion. **Page 201.**

A cable fantasy

On the chest on each Santa were
strange appellations
Like code names employed
in bizarre machinations:
There was ATC, TPT, TCI,
Warner—
Names that were pulled from all
crannies and corners—
See Page 214.

New entries?

Operators respond to the cable entry of broadcast networks

NEW YORK—The three broadcast networks, not long ago some of cable's biggest rivals, in the past year have become some of the industry's players. ABC, previously the most outspoken network opponent of cable, is now offering the industry three basic services: ARTS, Daytime and News Channels. In addition, it is moving into pay-per-view through its joint venture with ESPN. CBS has bestowed the industry with its class through CBS Cable and is now bidding for its first cable franchise in Alameda, California. NBC, struggling with its own third-place commercial network, has not yet made its entry, although its parent company, RCA, is a half partner in The Entertainment Channel.

How is the industry responding to this sudden "If you can't beat 'em, join 'em" attitude?

Business Communications, Inc. (BCI), a national cable research firm based in Fort Worth, Texas, surveyed a cross sampling of operators in 49 states on this issue for *CableVision*.

When asked how network ownership of a cable programming service will affect their decision to put that service into systems, 84.04 percent said it will have no effect. Instead, this vast majority responded that they want the best possible programming for the public, regardless of its source. Cable operators and networks are not enemies, but rather friends and should form alliances to produce the best entertainment for the public; this was the reaction of most, according to Bill Camfield, vice president and general manager of BCI. The 15.96 percent that said it would be less inclined to introduce a service owned by one of the commercial television networks base their response on past experience with network operations, said Camfield.

As for network ownership of cable systems, 20.44 percent believe the networks should be allowed to own cable based on the philosophy of free enterprise and the public's right to have these operations. The largest percentage of respondents, 49.17 percent, agree the networks should be allowed to own cable, but with limitations because of their size and strength, while 30.39 percent stated that the networks should be banned from cable ownership. The latter group believes network ownership of cable systems is a conflict of interest because the networks have more strength than any cable systems operator (financially and otherwise, including programming expertise)—thus, they could dominate the cable industry.

"CableVision"/BCI poll

"How will network ownership of a cable programming service affect your decision to put that service on your system?"

- **A. It will have no effect. I will judge each service on its merits: 84.04%**
- **B. I will be less inclined to introduce a service owned by one of the commercial television networks: 15.96%**

"How do you feel about the networks being allowed into cable ownership?"

- **A. The networks should be allowed to own cable: 20.44%**
- **B. The networks should be banned from cable ownership: 30.39%**
- **C. The networks should be allowed to own cable, but limitations on the extent of ownership should be imposed: 49.17%**

Washburn's stance

Commissioner favors broadcast position on several issues

SCOTTSDALE, AZ—FCC Commissioner Abbott Washburn had reassuring words for his broadcast audience during a speech delivered at the Arizona Broadcasters Association Fall Conference.

"I have great confidence in the existing system of advertiser-supported radio and television stations providing local service and local programming," Washburn said. "I believe it will remain the principal source of audio and video service to the public for many years to come."

One of the prime goals of Washburn's speech was to dismiss the notion that "the Fowler bubble is about to burst at the FCC." Washburn said that President Reagan is strongly supportive of FCC Chairman Mark Fowler's call for deregulation of the telecommunications industry. He also termed the current "make-up" of the commission "a plus."

"You are not going to see the 'rushes to judgment' which we had under Chairman [Charles] Ferris—for example, the VHF drop-ins or the short-spacing procedure," Washburn said. "And some of his favorite options—such as mandating a specific number of hours for children's TV each week—are virtually dead. Increased government intrusion of this kind is just not going to fly with the new commission."

Washburn then turned to issues specifically affecting the cable industry. He stated that he "would not go any further" in deregulating cable, using his vote against the elimination of the distant signal and syndicated exclusivity rules as proof. Although that decision is currently before the Supreme Court for review, Washburn said additional action is necessary.

"Whether or not the broadcasters prevail, the copyright law should be changed to give broadcasters a fair equity," Washburn said. "I would urge the Congress to actively consider changes in cable copyright prices to bring them more in line with the $3 billion which broadcasters pay each year for programming."

Commissioner Abbott Washburn had a few reassuring words for broadcasters recently, telling them he believes their audio and video services will "remain the principal sources to the public for years to come."

Washburn also indicated he would vote against any changes of the "must-carry" rules. A petition was filed last year by Ted Turner asking the FCC to rescind the regulations that force cable systems to carry all local broadcast stations.

"I strongly favor retention of the rules," Washburn said. "The local signals deserve priority."

"As long as localism is an essential element in the American scheme of broadcasting, which I firmly believe it should be," Washburn continued, "then cable systems must carry signals of the local stations."

"CableVision" survey

Survival of the fittest

"CableVision" asks operators what they think about today's programming fare

NEW YORK—With a new programming service announced almost every month, speculation over which will survive has become one of corporate cable's biggest pastimes. But to learn how operators in the field, those people who deal most closely with subscribers, rate these yet-to-be seen services, *CableVision* surveyed a broad cross-section of systems, with varying channel capacities and markets. The results are not a definitive statement on the viability of any service, but rather, an indicator of how they are being perceived by operators across the country.

The proposed services operators ranked highest by a significant margin (41 percent) was Landmark's The Weather Channel. With most systems already carrying alphanumeric forecasts, the new free video version is a natural replacement. The only snag will involve channel reshuffling since several systems' alphanumeric services share a channel with stock or other news, said Doug Holladay, director of marketing for The Weather Channel. According to Holladay, The Weather Channel currently has contracts representing approximately 3.4 million subscribers, which is the largest subscriber base any service has launched with thus far. The closest was CBS Cable which launched with three million subscribers in October.

Placing second in the survey with 30 percent was CNN 2, edging out Westinghouse's Satellite News Channels by nine percent. Over half of the respondents' systems already carry the original CNN. CNN 2 is projecting to make its January 1 launch with between 700,000 and one million subscribers. Preferring not to "play numbers games," News Channels would not reveal its current subscriber commitments.

The Nashville Network and Penthouse's PET Network tied with 16 percent for third place, closely followed by The Entertainment Channel and The Cable Health Network at 15 percent. Only one percent lower was Times Mirror's Shopping Channel. Daytime, UTV and Cinemerica all received less than five percent. (The Westinghouse/ Disney Channel had not been announced at the time the survey was taken.)

When asked what kind of programming is still missing, no single program concept emerged. What did was a variety of narrowcast topics. These included a 24-hour educational channel, consumer reports, a financial channel, soap operas, science fiction, classical music, game shows, cartoons, documentaries, a historical channel, night club acts and a 24-hour "preaching channel."

While at least a half dozen recent programming entrees are banking on the appeal of R-rated services, only ten percent of those operators surveyed said they intend to add such programming. Eighty percent stated that they would not carry such services and four percent answered "maybe." Responding to these results, one representative of an adult service, who preferred to remain nameless, believes many operators say they will not add R-rated services, but most likely will. Pointing to the failure of Front Row and Take Two (Showtime and HBO programming minus the R titles), he insists that such movies have proven their value.

Jerry Maglio, vice president of marketing for Escapade, who doesn't believe his company's service should be classified with other R-rated services, states that Escapade is doing well, having amassed 250 affiliates in its first year of operation. According to Maglio, the stigma attached to adult services will eventually diminish, perhaps in 12 to 18 months when most of the industry's franchising is over. "Systems will be pushed to change by the attractive profits that can be made off this programming," he said.

As for the established services, operators report that those with the broadest appeal and longest track records are the ones generating the most positive subscriber feedback. The three top pay networks placed in the top five (it should be noted all three have the largest marketing budgets in the industry).

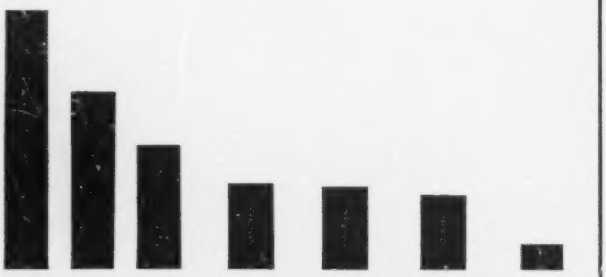
According to the survey, The Movie Channel came out on top with 71 percent of the systems carrying the service receiving positive subscriber feedback. CNN placed second at 68 percent, followed by ESPN at 64 percent and HBO at 61. Showtime ranked fifth with a 46 percent rate of response. Only four points behind was WTBS. The newest entrees making an impact were MTV (33 percent), and CBS Cable and ARTS both at 20 percent.

Not surprising, nearly all of these same services were listed in the top ten when operators were asked which services provide the best affiliate support. In this category, HBO placed first at 61 percent, followed by MTV at 56 percent, Showtime at 52, The Movie Channel at 49 and ESPN at 48. (For further rankings, see the accompanying charts on p.56 and p.61).

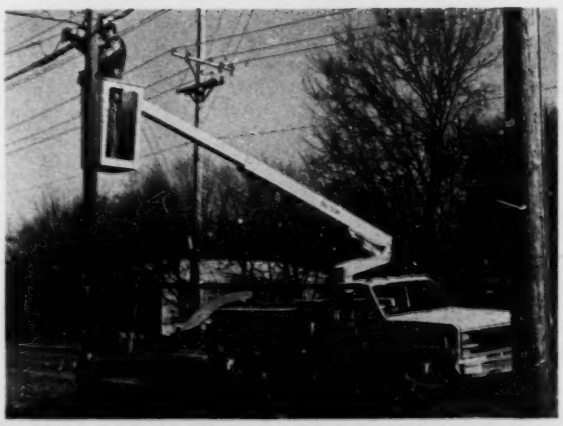
Overall, operators reported that they are largely pleased with the current programming. Duplication and too many repeats, however, are still major complaints. There is also a growing concern over the amount of control programming services have in systems. Urges to "be cautious and not let the programmers attempt to control the cable industry," coupled with demands for carriage compensation were frequent responses, as was the contention that there will be a shake out among the numerous programming hopefuls. For now, when it will occur, and who and how many will survive, is ony speculation.

—Susan Spillman

PERCENTAGE OF SYSTEMS INTERESTED IN CARRYING PROPOSED SERVICES



DO YOU PLAN TO ADD ANY R-RATED SERVICES?



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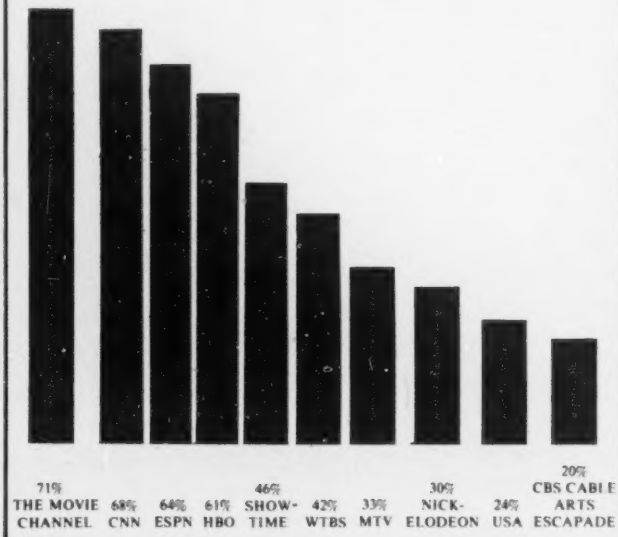
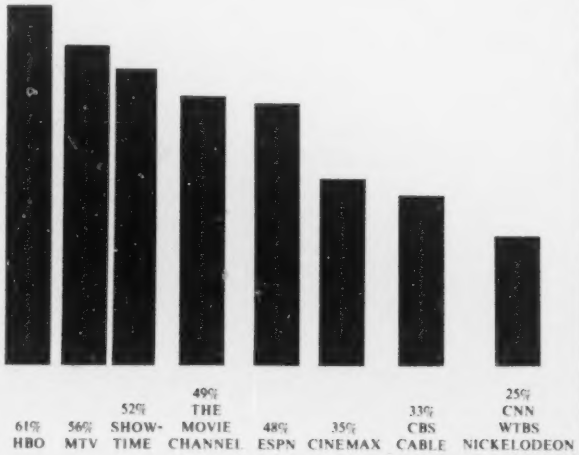


BEST AFFILIATE SUPPORT



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The new era
Refranchising comes of age

"Keokuk isn't Boston" goes the refranchiser's refrain. Is it whistling in the dark?

The din rises from the saber-rattling that heralds refranchising. It comes from town council members who have read of major market promises and want to extract similar services, from the MSO on an acquisition trail who threatens overbuild to clinch a buy-out, from local VIPs with political chits to trade for entry into cable ownership, from the rogue company late into franchising and looking for a shoehorn.

It was one thing to bank on long-term revenue from untried services in new markets as long as there was uninterrupted cash and borrowing power based on the old ones. Long-cabled communities are holding renewal hostage to upgrades. And because of the impact of the strategy on cable's classic economies, it is fast becoming one of the industry's central concerns today.

The clangor is still largely in the distance for most companies, but here's what happened in three prophetic refranchising episodes this year:

Austin's Capital Cable, at loggerheads with the city for two years over its unwillingness to invest in rebuilding its 12-channel, 20 year-old plant, retained enough leverage to ward off new bidding and arrange a $55 million sale to ATC.

Outcome: Capital was renewed for 15 years, based on ATC negotiators' promises of undisclosed millions of dollars in modernization.

Arlington's ARTEC, forced by its lender to seek early franchise extension in order to get the debt restructuring it needed, was challenged by Cross Country Cablevision, a small MSO campaigning for a bigger chunk of the industry. (See related story, p. 201).

Outcome: ARTEC won a 14-year extension, promising immediate improvements to the three-year-old system and future upgrades estimated to total $12 million.

Santa Barbara's Cox system no sooner finished negotiating for upgrade of its 19-year-old, 12-channel system than a local partnership secured city permission to file a competing bid.

Outcome: Cox won, by unanimous vote, and will spend $18-20 million to rebuild.

Inverted pyramid

Cable's refranchising era is about to open in earnest. Ahead lie years of reckoning for some of the country's oldest operations. Some MSOs are teetering on the wrong end of a pyramid. Their cash machines are their vintage systems, now coming to the end of 15- to 20- to 30-year franchise agreements. Simultaneously, well-publicized major market builds have schooled city fathers everywhere in what they might demand, as *CableVision*'s survey of 243 mayors attests on page 157.

Though the air is scarcely moving yet—and the squalls that did arise have been quelled, as we've just seen—the subject is an extremely touchy one among operators well-, ill- or indifferently prepared to weather the storm. (See chart on p. 134.)

"I'm not crazy about talking about our 12-channel systems," grumbled one MSO franchise chief, who has 48 systems serving 58 percent of his subscribers coming up for renewal before 1990. "Every competitor will just use it against us." And, indeed, the 12-channel headcount has become part of franchise-jousting. Cities now are beginning to ask how many of an applicant's markets are underserved by current standards. The question is part potshot: It does serve as a gross strainer early in the filtering-out process.

But it is undeniably relevant. Every company faces rebuilding. Money is expensive. How much snapping at its flanks from old and jealous claimants is a franchise-winner likely to be up against at the same time it tries to keep commitments in one or more new builds?

Given the National Cable Television Association finding that 2,400 of 3,500 systems tallied in April are 12-channel or less, it proves little to simply single out companies with a lot of them. The question is how quickly and extensively they will be upgraded. "In this environment, it's not a question of 'do I improve the system or not?'," says Warner Amex chairman and CEO, Gustave Hauser. "It's just 'do I do it earlier and to what level?'" Still, the massing of the raw data in one spot—a city councils's files—is viewed warily as a map for challengers seeking breaks in the fences.

(In fact, though, many companies vaunt the same privately collected data for a bit of their own saber-rattling. "I know where everybody's vulnerable," alleged one MSO president. "It's a basic principle of military warfare. If you expect pressure, be ready to create some counter-pressure.")

The pace of pre-1985 renewals is set out in the chart below—a *CableVision* summary of estimates compiled by the Cable Television Information Center. "The real crunch period for the industry is going to be 1981-85," says Rob Stengel, vice president of government relations for Continental Cablevision. "It's right on the heels of the franchising frenzy. Later on, the craziness will have abated. In fact, some of the super-offers will have been shown up as failures. I'm a lot happier to face renewals after '85 than before." U.S. Cablesystems general manager Vernon Achbar says much the same. "When major urban franchising is over, the hype will die and realism will set in. As the operations people replace the franchise-writers, we'll see whether companies can deliver. People will look twice at re-franchising if the major markets fall short on accomplishment."

The first shot

Not everyone accepts that chronology. With so many companies still distracted by franchising and building for the next few years, it may be that refranchise challenges will elicit no real attention from major companies until later in the decade. Deflecting attention are the acquisitions still more or less steadily pacing the trend to consolidation. Operators nearing retirement will take a buy-out offer as a ticket away from refranchise-provoked upgrading. Companies that won a couple of markets and failed to get the contiguous ones will bow to the regional powerhouse. "There will be big metropolitan complexes such as we have in Cincinnati," said Hauser. "That makes the most sense on an economic level. It will take acquisition. Whatever 'wresting' of franchises takes place will be spotty, confused. You could wind up with this piece and not the other one."

While acquisitions are also more peaceful than refranchise conflict, the renewal era is putting high-priced damaged goods and systems built to be sold on the market. "There's not a lot of quality growth potential out there," says Prime Cable President Bob Hughes, scouring the possibilities because his company's growth will come, he says, largely through purchases. "Some prices I've seen reflect delusions of grandeur," said Teleprompter President Bill Bresnan, "considering the earning capacity behind the for-sale sign."

A few operators look to an era of trades, though they have proved elusive because of the difficulty of equating such system variables as demographics, location and plant condition. "We've always expected we'll be doing a lot of trade-offs after franchising is over," said Cox Cable's vice president for corporate development Bruce Burnham. "Chicago is a good example. We have five franchises there, but there must be a dozen companies in the market. Ultimately, it will all shift to a better balance."

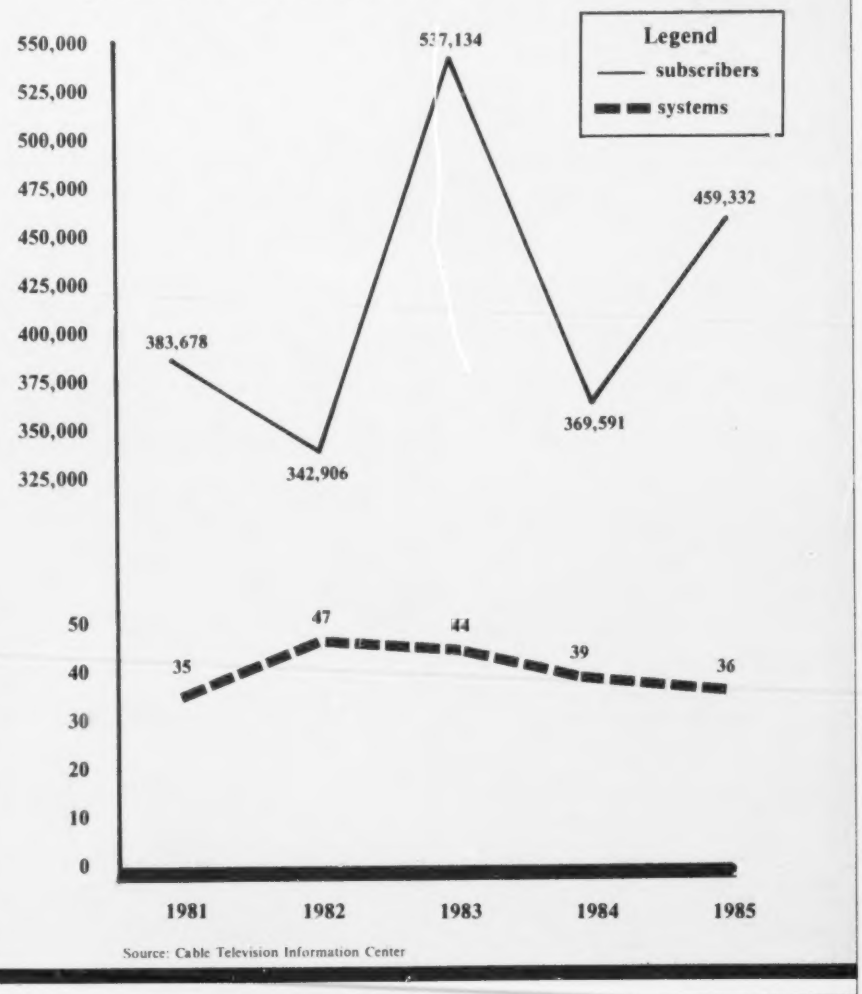
"I'm a great believer in trading systems," says Rogers Cablesystems' Ted Rogers, whose Canadian-based company will serve two million subscribers through its alliance with United Artists Theater Circuit in UA-Columbia Cablevision. "I'll sit down with someone and we'll hammer out the regional hubs that make much more economic sense."

And then? When there's nothing left to win or buy or trade, nowhere else to go, and there's still what amounts to a professional army of franchise troops, that's when the fighting over renewals will begin, so the prophecy goes. "In 1984, things will start snowballing," says First Manhattan analyst Alan Kassan. "It will last three or four years and it will be won by the richest baseball teams. It's cable's free agent wars, with the cities in the role of free agent."

But those predictions of a hiatus in the near term ignore two things.

(1) On cable's periphery are the small, ambitious younger companies, local investment groups, telcos, and newspaper publishers that lost out on or abstained from the franchising gold rush. But they have no reason not to take their refranchise chances now. Indeed, for them it's now or never. The ingredients are there: prime, beckoning real estate and the perception of operator inadequacies. Commonwealth

Systems/subs affected by franchise expirations



Source: Cable Television Information Center

Telephone has already leapt into New England markets with promises of better service than companies in place. The ambition of a tardy cable entrant was immediately on full view. "People without a real stake in the business could precipitate refranchise wars," said Viacom Senior Vice President of Operations Ed Bennett. "It will be the renegades, the mavericks, the newcomers."

Meanwhile, the FCC's unanimous vote last month to move toward deregulating commercial network and local broadcast cable ownership is widely expected to carry. Months before, CBS sensed the sentiment and won a waiver of the ban on network involvement. It is bidding for its allotted universe of a 90,000-subscriber laboratory. ABC Executive Vice President Fred Pierce has vigorously protested the "arbitrary rule" that prohibits networks "from competing in the [cable] marketplace if we so elect."

But the regulatory blessing may come at a point when no network can do much about it. System management is a foreign business. If the networks were to enter cable wholeheartedly, it would almost certainly have to be through MSO acquisition, with irresistible contracts for existing management. Balance sheets are currently not very accommodating to that move. Networks' free access to system ownership might keep prices high or drive them even higher. But there seems little expectation either network would, in today's market, seriously consider borrowing the several hundred

The franchise flint

City	Date Awarded	Winner	City Tailored Specials	Channel Capacity
Tucson, AZ (135,000 homes)	October '81	Cox Cable of Tucson	• Formation of the Tucson Telecommunications Center • $1.6 million access package • $2.1 million for community programming	Interactive 108 channels
Boston, MA (242,000 homes)	August '81	Cablevision Systems Boston Corporation	• Formation of a non-profit corporation to oversee and manage the public access and local origination channels; corporation will be supported by 5% of gross revenues from the cable system • $500,000 capital investment to help finance a Boston-based, broadcast-quality production studio • Commitment to support the Boston production studio by purchasing $1 million in production services annually • Construction completed in 3½ years	Interactive 106 channels
Dearborn, MI (35,000 homes)	March '81	Teleprompter of Michigan	• $1 million cash security deposited in the city's name with interest going to the city • $150,000 for community programming • Two full color studios • Two mobile vans • Seven editing rooms • 11 programmers dedicated to producing community programming	Interactive 52 channels
Fort Worth, TX (160,000 homes)	March '81	Sammons Communications, Inc., of Fort Worth, Texas	• $1.25 million for community program complex with central production center to be housed at Will Rogers Coliseum • Three mobile vans • $75,000 annually for community programming • $50,000 for internship program • $100,000 to upgrade existing educational tele-production facilities	Interactive 61 channels
Indianapolis, IN (140,000 homes)	February '81	American Cablevision of Indianapolis, Inc. (ATC)	• $850,000 estimated for community programming (joint venture with minority entrepreneurs) • Four access studios • Two mobile vans • Eight access channels	Interactive 42 channels
New Orleans, LA (220,000 homes)	December '80	Cox Cable TV of New Orleans, Inc.	• For local TV station WYES-TV a satellite uplink with income from its use and two cable channels • Six local studios • One mobile van • 30 portable cameras • $200,000 in grants for local programming ($3 million invested for local community programming needs)	Interactive 54 channels

million it would take to buy, say, United or TCI. Nor could it happily accept the earnings dilution such a buy would prompt. (There are the rumors, fostered by TCI itself, that joint venture discussions with "the networks" have been held aiming at the same sort of system acquisition and program testing alliance TCI made with Taft Broadcasting early this year.)

(2) Also suggesting that the battlefield will be left to the peripheral players for a while is the attitude toward refranchising expressed by the top MSOs. There is nearly universal repugnance toward any infighting. "We'll be making a big mistake if we use wild promises as a negotiating tool with cities looking [to replace an] operator," said UA-Columbia President Bob Rosencrans, taking a pragmatic can't-win attitude to renewal challenges. "We'll have to learn for those weird and crazy franchise bids that our enemies are ourselves. We've made peace with everyone else." That pragmatism found a near echo from Storer Cable President Arno Mueller. "Right now, it's not our intention to go in and upset anyone's act. The incumbent has such an advantage, even if his performance is less than exemplary. If he's bargaining in good faith, we wouldn't get involved."

That sentiment cannot be said to be statesmanship on the one hand or collusion on the other. It is chiefly self-interest. Would United have affiliated with Cox Cable's INDAX in Denver if the Cox franchise cohort was off making things hot in United's vulnerable older systems? Companies may simply get too interdependent for one division's aim to be at odds with another's. (See *CV*, 11/2/81, p. 19, for a listing of MSO involvement in

(Continued on page 125.)

City	Date Awarded	Winner	City Tailored Specials	Channel Capacity
Cincinnati, OH (161,000 homes)	November '80	Warner Amex Cable Communications of Cincinnati, Inc.	• Shared use of three full-color studios at Crosley Telecommunication Center WCET-TV Channel 48 • Four full-color neighborhood access studios • Two color access origination studios at Cincinnati's main public library branch and at the University of Cincinnati • Three mobile vans	Interactive 138 channels
Portland, OR (120,000 homes)	October '80	Cablesystems Pacific (Rogers Cablesystems)	• $400,000 in equipment and facilities dedicated to community access • $2.7 million in operating support over ten years above and beyond franchise fee	Interactive 108 channels
Dallas, TX (400,000 homes)	October '80	Warner Amex Cable Communications of Dallas, Inc.	• Estimated $2,144,000 • Five full-color studios • Five additional access centers • Three color-equipped mobile vans • 20 color portable packages • 50 portable modulators for origination of programming from any location connected with the institutional loop	Interactive 100 channels
Omaha, NE (125,000 homes)	September '80	Cox Cable TV of Omaha, Inc.	• One local origination studio • Four access studios • Two mobile vans • Capital investment over ten-year period for local origination and access production facilities totals $1.8 million • $251,000 in production to various colleges, universities, and hospitals throughout Omaha (Cox will also commit a ten year local origination budget of $5.4 million)	Interactive 108 channels
Pittsburgh, PA (181,000 homes)	January '80	Warner Amex Cable	• ($3.32 million for studios and equipment) • $1.16 million for exclusive community use • $236,000 for equipment and servicing a government TV studio facility located in the city county building • $200,000 grants made to the city to be used at its discretion in achieving goals of community communications • $165,000 in Honorarium for assistance in presenting community programming • Two mobile vans • Five color TV equipment studios • A full-time channel and over $60,000 in equipment for use in the production of local religious programming • 15 percent discount on cable services for senior citizens	Interactive 78 channels

(Continued from page 120.)
entertainment programming alone.)

And even among those with no services to market to erstwhile competitors, the plain fact is that every company's rebuilding plan, however vigorous, is still incomplete. Every one has straggler systems that might be picked off. And the quickest way to open the season, all agree, is to take the first shot. "I take my lead from President Reagan," says Ted Rogers. "We're peaceable. We would not launch the first attack. But if someone comes after us, we won't rest until we make him wish he'd never thought about it." Another CEO, who requested anonymity "because my idiom is not well-chosen," put it equally colorfully: "When someone starts messing around with someone else's wife, his wife becomes fair game right away."

Turning tables

A large part of the reason refranchising now looks remotely like franchising is that certain franchise authorities would have it so. In some localities, renewal gives them their first real opportunity to retaliate for genuine or imagined lack of service.

Consider a decades-long bond between shifting corporate and political personalities, during a period when CATV signal retransmission grew to what cable television is (or promises) today. It just wasn't fated to be silken. "The industry by and large has been a good corporate citizen," says ATC Vice President June Travis. "So long as we've been reasonable business partners, things will go smoothly when refranchising comes along." But one respondent to *CableVision*'s survey of mayors, heir to the tail-end of a 30-year franchise, describes his bent toward non-renewal in Declaration of Independence style: "The franchise was granted... by a former government body before cable television was recognized for what it is. No controls were retained. Consequently service is poor, rates are high and the public suffers generally." Said another, preparing an RFP, "The system is acceptable under the existing franchise, but obsolete in light of present capabilities."

Franchisees no less than franchisors describe those early agreements as "vague." "In the past," Mueller said candidly, "there was a lot of disregard for the desires of the cities. Some of us didn't feel any obligation to listen. Today that's not good business. In the new franchises, cities took a high profile. Council members going into renewals can read. All those well-publicized contract specifics in major markets are serving as the pattern for older markets."

> "I'm not crazy about talking about our 12-channel systems," grumbled one MSO chief, "every competitor will use it against us."

And this time around, the negotiations are orchestrated very differently. One of the more significant developments of the current franchising era has been the rise of a new class of professional negotiator, whose skills are kept honed, of course, on the growing sophistication of municipal counterparts and their consultants.

"The points included in a modern, tough ordinance were simply never thought of years ago," says Martin Malarkey of Malarkey, Taylor & Associates, the industry's oldest consulting firm, "and not just because of technical advances since then. Now franchise renewal agreements bind operators not only to leased access and local origination channels, but to schedules for new tiers of service, provisions for timely extension, revocation terms, monetary penalties...." Malarkey's firm and the active CTIC are both bellwethers for the increased reliance of renewing communities on the same consultants who shepherded the new markets. And both say their first recommendation is that the city negotiate with the system in place. "We start from the premise that the city is best off to reconcile itself with its existing operator even if there are problems," CTIC executive director Harold Horn explained. "We're there to lay out options."

> "I know where everybody's vulnerable," alleged one MSO executive. "It's like military warfare. If you expect pressure, be ready to create counter-pressure."

(Despite their favored recommendation to make peace, both men say, one hot question from cities continues to be, "Exactly what happens the day we take the franchise away?" When it comes right down to it, there is the sticky problem of all that plant to consider. "One advantage the incumbent has," incumbents say reasonably, "is that as long as he stays, service isn't disrupted." But what if he's not renewed? "If it were my company," said one, "I certainly wouldn't sell the system to my replacement. We'd never agree on whether it's to be priced at worth or at salvage value, for one thing. He'd have to do all the make-ready and get all the regulatory approvals. He couldn't use our lines and probably he couldn't get space on the poles until we come down. When do we turn off and he turns on? There might be a year's break in service or more.")

"But what if she's flirting?"

One of the options presented by city consultants has led, for some operators, to a weekly ritual. Cities now customarily send out letters or less formal signals, expressing disgruntlement with the current operator and interest in reopening the bidding when the franchise comes due.

"It's one thing to covet someone's irreproachable spouse," said yet another MSO executive in search of just the right analogy, "and quite another when the spouse is flirting." By their own and city consultants' accounts, most cable executives still flee the flirtation. In among the judgments that it is bad form "to cut in on someone else's act," as Mueller put it, there is, again, good bedrock self-interest.

Former NCTA government affairs chief Bob Ross recalls one MSO's "artfully written" response to such a feeler. "We appreciate your interest. The company already there is one of the leaders of the cable industry. We are somewhat surprised you are considering opening bids. In any case, our practice is not to apply in areas already provided with cable service." "It was very gentlemanly," Ross said, "and I can see that sort of Marquis of Queensbury approach continuing... partly out of fear."

"We would not go into refranchising," said Prime Cable's Hughes flatly. "Those of us who grew up in this business, upon whose companies the

industry was founded, aren't going to actively engage in that process. [Hughes presided over Communications Properties, Inc., before its acquisition by Times Mirror.] If it were to be widespread, we'd just be jerking the rug out from under ourselves. The real value of a system is lenders' predication of a virtually perpetual franchise. If money sources become concerned, or worse, convinced, that franchise turnovers are going to be commonplace, the whole character of industry financing will change."

The echo here, of course, is from *CableVision*'s recent survey of top lenders, ("Where the Chips May Fall," *CV*, 11/2/81, p. 36). Said Ken Phillips, second vice president, Teachers Insurance and Annuity, "Refranchising makes me nervous. There will be some bloodletting in this business. The number of refranchising situations a borrower faces does affect creditworthiness in our eyes. One of our covenants is that the loss of any franchise would be an event of default and our money comes due immediately." And at the industry's largest lender, Chase Manhattan Bank, Senior Vice President Tom Reifenheiser telegraphed tight restrictions even for refranchise winners. "Refranchising is a worry. If a significant number of a customer's franchises are coming up for renewal, it's a drawback. He may keep [them], but on a much tougher basis."

Operators use the need for financial certainty as a bargaining chip in refranchise negotiations. "It's not in the public interest to force a company to decide that the rules of the game now are that at the end of 15 years, everything is up for grabs. At year 12, you can't replace drops. At year ten, you can't replace cable. After year seven, you can't afford to rebuild. You're forced to manage the system so that by the fifteenth year, all the returns are in, neat and tidy," says Teleprompter's Bill Bresnan.

"This business has always required continuous rebuilding. You shouldn't have to decide whether or not to do it with your eye on a meter. If that kind of instability is introduced into the industry, it can't help but be reflected in operations.'

In other words, the very upgrading that would prevent most cities from bothering to look elsewhere for cable service could be made less likely by the spectre of cities looking elsewhere for service. But the cities can set up a vicious cycle just as deftly. Older markets see themselves, in the inelegant cable jargon, as cash cows being milked for revenue. There is now the threat of franchise termination precisely because none of the cash was fed back into the market it came from. To elicit the promise of reinvestment, say the cities, it's politically necessary to have an alternative in the wings, even though its presence worries reinvestors.

"We're peaceable. We would not launch the first attack but if someone comes after us we won't rest until we make him wish he'd never thought of it."

—Ted Rogers

In addition to the financial repercussions of refranchise fights, there is also the threat of a free-for-all. "Once you start, there's no end to it," said Continental President Amos (Bud) Hostetter, matter of factly. "I don't want to sound corny," Bresnan offered, "but I wouldn't want to set myself up as judge and jury. For us to respond to a city's invitation to re-open bidding—and we never have—it would have to be a clear case of franchise abuse. Anyway, I'd look twice at a council that's soliciting newcomers instead of talking with the company in place. If it does it to one, it can do it to us. A couple of cities we're in have contacted others about replacing us. Neither got any expressions of interest and they never did put out an RFP [Request for Proposals]. We were renewed, as we always have been. I think it's all right. They're just feeling things out, letting you know what they could do if they chose."

Comcast President Chris Derick concurs. "We've been contacted frequently [by cities on the prowl]. But if the company already operating there is doing the job we'll all be forced to do, it's going to get renewed. The city is so obviously bluffing to strengthen its bargaining position. I'm not willing to be a pawn, knowing in all likelihood it will go with the company it's got. In fact, when I talk with city officials who sometimes call out of the blue, that's basically what I tell them: 'You have enough leverage. Use it. Know what you're asking is reasonable in a market your size and go after it.'"

No bluff in Boulder

Cities have leverage, all right, and "it's spelled e-x-t-o-r-t-i-o-n," snapped Harold Farrow, counsel to TCI in its suit against Boulder, Colorado. It would be a landmark case in any circumstances, testing as it does the home rule power of cities over enfranchised businesses. But coming at the dawn of the refranchising era, it has an anxiously attentive audience.

The facts are well-known. TCI acquired a ragtag locally-owned system in Boulder, franchised in 1964. According to the city, TCI had done virtually nothing to improve it by 1980. Finally, Boulder decided to slap a moratorium on any further building by TCI and open the market to new bids. TCI, not for the first time, sued its host city. But this time, the contest has gone all the way to the Supreme Court, where Boulder and its consultant, CTIC, seek corroboration of its authority to act, against Farrow's assertion that TCI's protection under antitrust law has been violated.

Though the high court's decision probably will not be handed down until next spring, veteran court watchers are betting the verdict will turn on the narrow issue of whether the city council could legally limit TCI to wiring only a portion of Boulder. (Under an exemption to antitrust law granted years ago by the Supreme Court, states—not cities—can take action that might otherwise be a violation if some other interest can justify it. Under Colorado's constitution, cities of a certain population have the same immunity. Boulder is claiming the constitution covers its TCI decision.)

(Continued on page 133.)

(Continued from page 128.)

The court is expected to bow to practicality. Which way it will bow is, predictably, the subject of argument. Mark Wawro, whose Houston firm Susman and McGowan is involved in a cable operator's antitrust suit against the city, expects a TCI victory on the grounds that permitting Boulder to do what it did opens up "a too-parochial enforcement of antitrust law." Cable operators themselves have mixed feelings about that outcome. If their colleague, TCI, wins (and many MSOs wince at being identified with the avid collector of older 12-channel systems whose current publicity is one more spotlight on lagging upgrades), municipal regulation of franchises could be nullified with devastating effect.

If cities' police power over cable were restricted by what could be a precedent-making decision, what would happen, wonders attorney Bob Ross, to exclusive franchising, to cordoning off areas among separate systems—to all the clauses that limit the threat of overbuilds? They would be lost right along with the freedom to do just the opposite—invite in other citywide franchises and extract expensive upgrades.

But if Boulder does win, the whole backdrop to refranchising will be thrown into relief. That backdrop is the shifting of clout in cities' favor. And, in the foreground is played out the simultaneous drama described earlier: a status quo, a gentleman's agreement held in balance by MSOs who fear retaliation more than they covet other companies' markets and who, meanwhile, must hod off the last-chancers and new entrants eager to harvest systems where they can.

Overbuild oratory

Many companies seem to regard the non-exclusive nature of most franchises as an open secret. The road is clear but few have looked down it and those who have generally aren't interested in following in another's footsteps.

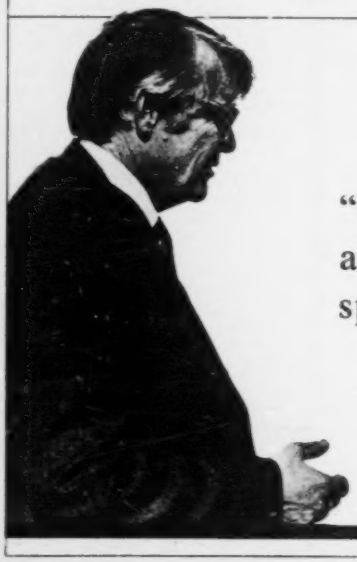
But, given the Boulder intention that provoked the lawsuit, whether it wins—and can let a second franchise—or loses—and hasn't any control over cable within its borders, "It's like running up a flag to the world" announcing the dawn of competing cable operations, worried one ambivalent MSO chief.

Overbuilds are still only a little less roundly damned than refranchise fights. The difference now is that MSOs are involved, albeit on a selective basis. Their willing spokesman is Cablevision Systems' Chuck Dolan, whose franchise director Shiela Mahony recently informed the rest of the industry that the day of exclusive franchises is done and, more ringingly, "not every franchise is sacrosanct" once it's won.

Dolan elaborated recently, in the context of the refranchising question. "Refranchising is not a natural market. It emerges only from neglect. It's not an issue at all except for companies draining little communities of cash flow to finance major builds.

"Operators should be unassailable. Not for any legal reason, but because they systematically pre-empt any improvements another company might offer. Those who don't, too bad. They're liability to all of us.

"The challenge for this company is not refranchising but someone coming in for a second franchise. It will



"Cities have leverage, all right, and it's spelled e-x-t-o-r-t-i-o-n."

—Harold Farrow

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happen. We're interested only in a limited number of large markets. They're attractive, and not only to us. If we lagged in Babylon [Long Island] and the council started sending out signals they thought we were inadequate, we'd expect another company to come in."

Acknowledging that he is not merely resigned to being overbuilt himself, Dolan explained, "We're not going around in an opportunistic fashion scouting overbuild locations. But I don't deny that theoretically some are desireable.

"There is no *esprit de corps* in this business that says one company shouldn't compete with another. We're a poor industry if we have such an understanding. Communities could never count on a level of proper service."

Easy for him to say, mutter other operators who have long taken umbrage at Dolan's maverick ways. "Remember, he got into franchising late. So he's not as vulnerable because his systems are modern ones," says UA-Columbia's Bill Koplovitz, vice president of corporate development. UA and Cablevision Systems are the most famous market competitors in the industry, and UA's lack of enthusiasm for what it says is the doubly expensive cabling of the New Jersey markets they share is equally well-known. (See *CV*, 6/1/81, for a detailed description in "How Safe Is Cable's 'Natural Monopoly'?") "Nobody with any experience in this business would operate side-by-side with another system," Rosencrans still insists. But because Dolan obviously disagrees, and the industry is on notice, one operator breathed a noisy sigh of relief when Cablevision Systems won Boston. "The best thing that ever happened to the industry was to have Dolan get bogged down in major market builds. He won't have time to listen to a different drummer anymore."

For some others, though, the drumroll has proved seductive. When Phoenix "sent out signals" that it was less than pleased with the pace of construction by 1976 franchisee American Cable, Storer and Cross Country were both in the area scouting the suburbs. It was just a little detour to go in and talk with the Phoenix council. Each came away with a non-exclusive franchise in the first, and so far the only, municipal go-ahead to more than one system wiring the entire city.

(Cross Country partner George Ring declined an interview for this story, sending word through a secretary that "There are lots of tycoons around whose comments are more pertinent." The New Jersey-based MSO, brainchild of commodities expert James Sinclair, represents to many the aggressive small company expected to make a run on vulnerable markets. [See story on ARTEC, which it challenged.] In addition, it is said to be very close to agreeing to be bought by TCI so it may also turn out to have been a spear carrier for the equally aggressive MSO.)

For Storer, it was an uncommon strategic detour. "We have two-three overbuilding situations," said Storer's Mueller. "We don't do it on a general basis." Phoenix, he said, did let citywide franchises, but we're all building in different areas. What constitutes overbuilding anyway? The first one with strand up? The first

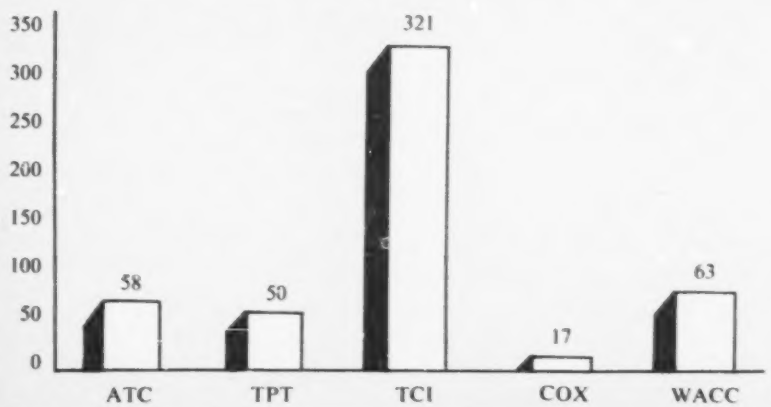
Top 20 MSO franchises expiring between 1982-1992

Operator	Number of franchises
American Television and Communications	76
Teleprompter	85
Tele-Communications	341
Cox Cable	31
Storer Cable	N.A.
Warner Amex Cable	80
Times Mirror Cable	N.A.
Newhouse Broadcasting	N.A.
Viacom Cablevision	64
UA-Columbia	N.A.
Sammons Communications	166
United Cable	38
Continental Cablevision	67
General Electric Cablevision	N.A.
Cablecom General	N.A.
Telecable	2
Heritage Communications	74
Liberty Communications	N.A.
Cablevision Systems Development Corporation	0
Service Electric Cable TV	100

The following three charts were derived from information filed with the city of New York by each respective cable company. The city's consultant, Arnold & Porter, requested that all bidders competing for the city's four unwired boroughs file a "Supplemental Information Report" regarding the status of all their cable systems. This was the first time large MSOs were forced to submit such information.

The major cable companies complained that the requests were too burdensome, but on June 1, 1981, all bidders filed mammoth financial reports detailing the status of their respective cable properties. Some of the information is confusing. Normally, an MSO with several small cable systems and few subscribers, serving contiguous areas, will record those areas as one franchise. For the purposes of New York City's consultant, companies were required to record every municipality it had a franchise agreement with. Therefore, the numbers in the following charts will reflect a total number of franchise agreements, more than is usually reported by the cable operators.

Total Number of 12-Channel Systems



providing service? It's difficult to sort out when both are building, and it seems to me the only real overbuild is when you come in on top of an established operator." If someone did it to Storer? "You can't turn and run. You have to stand your ground or you invite raids."

"The city council really struggled," says Terry Parker, Phoenix's representative to the new National Associates of Telecommunications Officers. "The same companies who wanted in had been saying elsewhere that exclusive licenses were the only way to go. There were several 3 to 3 votes until the mayor was finally free to enter. He gave a speech on free enterprise and competition and cast his vote for competition."

Meanwhile Times Mirror, 20 percent owner of American Cable, plans to increase its interest to 50 percent, and its corporate ambitions are expected to roil the waters further. While T-M is rumored to be considering overbuilding, Senior Vice President Dowe Carpenter said at a recent meeting of Wall Street analysts, "I doubt [we would overbuild existing systems]. It sounds to me like a senseless endeavor." Asked if the company would overbuild in Phoenix, Carpenter said "no."

Nevertheless, the outcome in Phoenix is still unpredictable. But the preliminaries are notable. Storer and Times Mirror face each other from the north and south sides of one street but no marketing of that neighborhood has begun and Storer has already said it won't come that close to real overbuilding anywhere else in town. Other areas are, as Mueller said, separate. Even the competitive pricing and service constellations the city expected to encourage with its tactic have yet to appear. "At some point, they'll bang into each other," said Terry Parker, and head-to-head competition will start. "But what's happened so far is that construction is slowed. We can't figure it out. The newspapers all ran predictions about range wars [primed perhaps by last year's go-round between American Cable's existing HBO-via-MDS operation versus Oak's new STV offer]. . . It's a little disappointing, to say the least. We only have 6000 subscribers being served after a year and a half."

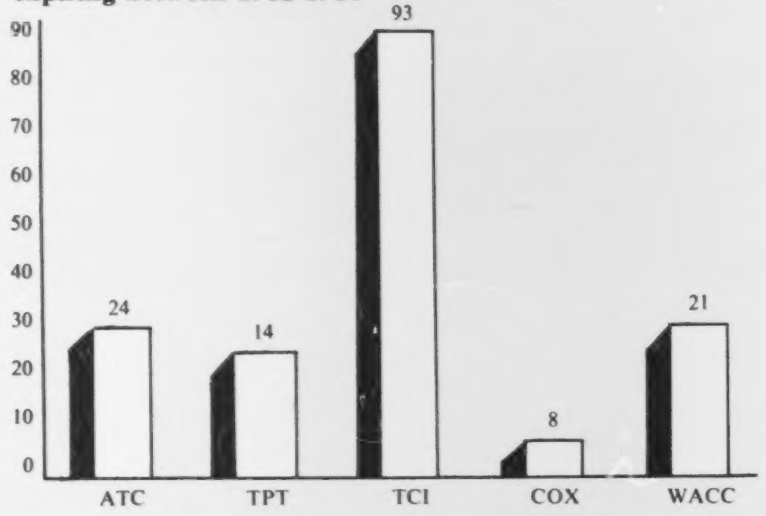
(Though Phoenix may not be the last to take the franchising route it has, it may have been first partly because of an anomaly that undid the traditional argument against the move. When CTIC's Harold Horn says, "There are probably some places where overbuilds could work, but as a former city official, I can't imagine the cost effectiveness of two utility companies," Phoenix points to its two electric companies. What happened? "They built and built until they hit each other," says Parker.)

A mass of goulash

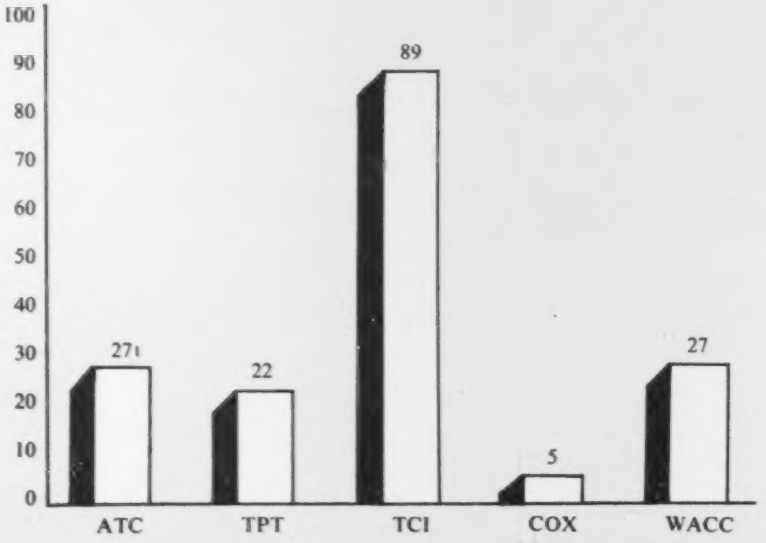
Parker inclines to the view that perhaps the Phoenix franchises didn't study the city's geography very carefully before they came courting. (One major construction delay has been the tardy discovery of a unique system of open irrigation canals—with a unique system of permits every time a cable company needs to do trenching.) Operators are just as apt to charge cities with ignorance of swampy footing on the march to upgrades.

"Cities have to be educated against the people on the sidelines, muscling their way in and mixing things up," says Warner Amex chief Gustave Hauser. "No matter what you have or

Twelve-channel franchise agreements expiring between 1982-1986



Twelve-channel franchise agreements expiring between 1987-1992



"So long as we [cable operators] have been reasonable business partners, things will go smoothly in re-franchising."

—June Travis

what you say, mass confusion sets in. It winds up a huge homogenized mass of goulash."

Cities, of course, view the cable smorgasbord as far more appetizing than that. It's the bill that's in question.

The problem is not rate increases. Universally, *CableVision* found acceptance of the idea that an increase is simply part and parcel of an upgrade. But for years, it was axiomatic for operators that they would spend $150 to $200 per subscriber and take back $7 to $8 monthly for the life of the subscription. Now the additional capital input for a modest upgrade is another $150. In areas where long-term revenue would be compromised if the operator didn't spring for addressability, per subscriber costs can run $300 and more in a 10,000 home system. It is, as Cox found in its $18-$20 million Santa Barbara upgrade, very like starting from scratch.

And, as Hauser says, "These are older markets. They're not going to behave like new builds. It's just a different environment. The culture is set. There's not the appetite for mulitpay, for instance, or the willingness to use the cable from new non-entertainment services. How do you explain that to a city council?"

At today's cost of money, says analyst Tony Hoffman of A.G. Becker, even moderately upgrading operators "need another $7 to $8 to keep even. One more pay channel won't give it to him. Maybe four tiers with sufficient penetration, but what percentage can you expect in a settled market?" First Manhattan's Alan Kassan steps in neatly across the spectrum of opinion from Hoffman. "CATV became cable television dominated by pay, and now it will become a total communications business with ad revenues and non-entertainment services. As systems upgrade and simultaneously lower basic rates, penetration will rise from 50 percent to 70 to 80 percent of homes providing more reach for advertisers. The operators will get what he needs, but from different sources."

"There will," Kassan acknowledges, "be a tumultous interim period."

Cities' sitting ducks?

Since he blames the tumult on the cities, TCI attorney Harold Farrow fulminates against them. "It's just agreed. These places are encouraged by a sub-industry of consultants to fancy themselves social scientists. They're told they are less than good guardians of the public weal if they don't reach out and extort all they can get.

"What is there that's so unique about cable that elected officials who ought to represent a higher moral standard have to use police power against it? We elect people to enforce existing laws and create new ones to solve known problems. We don't turn them loose like a horde of locusts on those who are weak and subject to them.

"In all the operator versus city cases I've been involved in, there is either no default on the operator's part or, if there is, it's created by excessive demands from the city. Franchise fees are so high they siphon money from research and development. Company executives spend so much time with city council members and their consultants, they haven't got enough left to devote to providing good service."

The core of Farrow's rancor is the blooming idea that cities ought to have any power to compel changes in cable plant. (New franchise and refranchise agreements sometimes allow annual or biannual reviews of the adoption of new technology.) "What the hell business of the city council's cable's state-of-the-art? Do they look into the

"What the hell business of the city council's is cable's state-of-the-art? Do they look into the state-of-the-art of candlemaking or baking bread? Is their interference proper?"

—Harold Farrow

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state-of-the-art of candlemaking or baking bread? Is their interference proper?"

His implication seems to be that operators will upgrade voluntarily. "TCI will build and operate a wonderful system in Boulder. That will be the upshot [of the Supreme Court case]," he predicts.

In truth, many operators' self-interest and avowed corporate commitment to service have meshed quite seamlessly with the introduction of upgraded plant. "We're all big, public companies now. We shouldn't have any 12-channel systems," declared Ted Rogers. "Cable was born in the small markets. Why should they be slighted? Beyond 5000 subscribers, there's no excuse not to have multipay and two-way service."

Operators equally supportive of upgrading stop 'way short of Rogers. There is still belief that proper service can be 12 channels in some markets, and in many more 22 or so will cover the need. "Do as Boston did," cities are advised by its franchise winner Chuck Dolan. "Look at your own requirements for your own community. Don't make it a mindless contest for whoever will make the biggest commitment."

TCI President John Malone could hardly agree more. With 50 percent of the company's subscribers served by 12 channels or less, he is frequently called upon to repeat, as he did to an interviewer recently, his unapologetic, "People don't need all those extra channels."

That kind of management makes Malone a good steward in the eyes of TCI stockholders, since it makes for high margins on systems. But the company was universally held up by the many analysts, city officials and operators *CableVision* contacted for this story as most vulnerable to refranchising challenge. But in digging in its heels on lavish upgrading, TCI seems to have no intention to bury itself in the dust of 1950s vintage systems. To judge by the uncharacteristic flourishes of a recent speech to the Queens Chamber of Commerce, TCI is not entirely immune to the gleaming '80s. "Cable television is the frontier of the future [and we are the pioneers of that future]," said the man who has countless times described cable pioneers as "the ones with arrows in their backs." The $90 million Queens franchise bid, in which TCI is a 50 percent partner, could be "our flagship franchise. We are hoping to give Queens a system so technologically advanced with two-way interactive features, it will serve as a model for the rest of the country."

While TCI may court refranchise problems, it may also outstrip any possible system losses with an aggressive acquisition campaign—"an accumulation game," Malone calls it. To the small independents that are the focus of such activity, embattled franchises are second only to copyright legislations in impact, says Steve Effros, executive director of their trade association, CATA. The group's chairman, Ben Willie, is involved in a nagging municipal ownership debate over his Spencer, Iowa, systems that he'll take to the Supreme Court rather than sell, he says. But other owners of systems surrounded by MSO, Inc., seem prepared to bow out almost without a backward glance. "I'd try to solve any contest using my political ties. But if someone's offering 108 channels to my 12-channel market, well, they can certainly do something

The 15-year franchise

(To the tune of *The Twelve Days of Christmas*)

In the first year of my franchise
The city said to me
"So glad you've brought us CATV."

In the second year of my franchise
The city said to me.
"How 'bout L/O?
And so glad you've brought us CATV."

In the third year of my franchise
The city said to me,
"Give us three superstations.
How 'bout L/O?
And so glad you've brought us CATV."

In the fourth year of my franchise
The city said to me.
"Link our four schools,
Give us three superstations,
How 'bout L/O?
And so glad you've brought us CATV."

In the fifth year of my franchise
The city said to me,
"Five miles are due,
Link our four schools,
Give us three superstations,
How 'bout L/O?
And so glad you've brought us CATV."

that's uneconomical for me. My investment's returned. I'd sell before upgrading to a point where I'd never get my money back."

Sampling standings

Bob Rosencrans says UA-Columbia's systems are all being rebuilt to 35 channels, with completion scheduled in two and a half years. The willingness to introduce new services, starting with satellite-delivered HBO back in 1975, Rosencrans has always maintained, is what keeps his franchises safe. With the exception of the "peculiar situations in New Jersey" (the Cablevision overbuilds), "We've never been challenged on a renewal." Preparations for refranchising, which are handled locally, begin three to four years before the contract ends. As a result of the gradualist approach, Rosencrans estimated the company will spend only $5 to $7 million on upgrading in the next five years.

ATC started rebuilding about five years ago, says June Travis, and is now doing six-12 systems yearly. "We looked at virtually every system and made the same kind of analysis we do

In the sixth year of my franchise
The city said to me,
"Six towns awarding,
Five miles are due,
Link our four schools,
Give us three superstations,
How 'bout L/O?
And so glad you've brought us CATV.

In the seventh year of my franchise
The city said to me,
Our neighbors all get dual pay,
Six towns awarding,
Five miles are due,
Link our four schools,
Give us three superstations,
How 'bout L/O?
And so glad you've brought us CATV."

In the eighth year of my franchise
The city said to me,
"Eight dollars—never!
Our neighbors all get dual pay,
Six towns awarding,
Five miles are due,
Link our four schools,
Give us three superstations,
How 'bout L/O?
And so glad you've brought us CATV."

In the ninth year of my franchise
The city said to me,
"We want sports, news and kids' fare,
Eight dollars—never!
Our neighbors all get dual pay
Six towns awarding,
Five miles are due,
Link our four schools,
Give us three superstations,
How 'bout L/O?
And so glad you've brought us CATV."

In the tenth year of my franchise
The city said to me,
"Where's our mobile van?
We want sports, news and kids' fare,
Eight dollars—never!
Our neighbors all get dual pay
Six towns awarding
Five miles are due,
Link our four schools,
Give us three superstations,
How 'bout L/O?
And so glad you've brought us CATV."

In the eleventh year of my franchise
The city said to me,
"You promised more in (Pittsburgh, Tucson, Denver...)
Where's our mobile van?
We want sports, news and kids' fare,
Eight dollars—never!
Our neighbors all get dual pay
Six towns awarding
Five miles are due,
Link our four schools,
Give us three superstations,
How 'bout L/O?
And so glad you've brought us CATV."

In the twelfth year of my franchise
The city said to me,
"Why can't we have two-way?
You promised more in (Pittsburgh, Tucson, Denver. . .)
Where's our mobile van?
We want sports, news and kids' fare,
Eight dollars—never!
Our neighbors all get dual pay
Six towns awarding
Five miles are due,
Link our four schools,
Give us three superstations,
How 'bout L/O?
And so glad you've brought us CATV."

in a market. What's the competition, how much demand is there? It's probably true there's no room in our business today for 12-channel systems and every operator is upgrading. But if you oversupply a market by offering more than the city can use, it's the subscriber who pays. After all, we all run profitable companies. But the people we deal with are those we've done business with for many years. We're candid and forthright with each other. It isn't difficult to explain that if you have a small population and you want 108 channels, there are arguments against the 'more is better' approach. These are reasonable business people. They don't get terribly caught up in the rhetoric."

"Renewal starts the day you get the franchise," said Continental's Bud Hostetter, whose annual reviews of seven managers assess their ability to trade upgrades for franchise extensions years before the franchises come due. That's smart, advises CTIC's Harold Horn. "We're seeing refranchise negotiations take 12 to 18 months. You can't roll a system right up to the wire. It starts to decline in its last four-five years, and there's no way to pay for expansion without some kind of certainty." Says Hostetter, "You have to leave yourself room to walk away gracefully if you can't agree and start again another day."

Storer tallies a higher proportion of new markets than any other operator, according to Arno Mueller, and systems there are state-of-the-art: 35 to 50 channels, 300-400 MHz. "We face only a handful of expirations. We'll probably spend $2 million or so this year on upgrades, and I don't expect that allotment to increase in the next few years." Earlier this year, the company formed a corporately based franchise standards staff position to ride herd on synchronizing market promises and fulfillment. Mueller renewal discussions begin one to two years before agreements expire.

Prime Cable, a very young MSO, has no 12-channel systems and no terminations for five years or more. But Bob Hughes says those coming up in seven to nine years are being upgraded from 20 channels to at least 35. "And I suspect in another five years, we'll go to 54. We all just have to face the necessity. Even 20 channel systems are vulnerable to challenge today."

An increasing proportion of its budget goes to rebuilding, says Chuck Dolan of Cablevision Systems' modern plant. "We're upgrading the terminal capacity in the home and triple-trunk; double feed or 400 MHz is standard for us now. I don't have any worry about renewing franchises. Any community we're in will renew us."

"Often systems have to be rebuilt out of cycle with the franchise," says Hauser. "You have to go to the city council and say 'I can't put in all this money without an extension.' We've always done that. We're in very good shape on renewals. A few years ago 45 came up and were done. We've never lost any. But now it's a different environment. It's kind of a nightmare for the industry." In an echo of TCI counsel Farrow, he lamented, "This process is always so diverting from getting on with providing better services. We're constantly locked in these dogfights."

Though not as much as TCI, Warner stands at the top of some lists of vulnerable systems. Especially in Massachusetts, where its Boston bid amazed and angered its large complex

In the thirteenth year of my franchise
The city said to me,
"We're inviting other bidders
Why can't we have two-way?
You promised more in (Pittsburgh, Tucson, Denver. . .)
Where's our mobile van?
We want sports, news and kids' fare,
Eight dollars—never!
Our neighbors all get dual pay
Six towns awarding
Five miles are due,
Link our four schools,
Give us three superstations,
How 'bout L/O?
And so glad you've brought us CATV."

In the fourteenth year of my franchise
The city said to me,
"What? You'll do it all?
We're inviting other bidders
Why can't we have two-way?
You promised more in (Pittsburgh, Tucson, Denver. . .)
Where's our mobile van?
We want sports, news and kids' fare,
Eight dollars—never!
Our neighbors all get dual pay
Six towns awarding
Five miles are due,
Link our four schools,
Give us three superstations,
How 'but L/O?
And so glad you've brought us CATV."

In the fifteenth year of my franchise
The city said to me,
"Well . . . just sign here."
What? You'll do it all?
We're inviting other bidders
Why can't we have two-way?
You promised more in (Pittsburgh, Tucson, Denver. . .)
Where's our mobile van?
We want sports, news and kids' fare,
Eight dollars—never!
Our neighbors all get dual pay
Six towns awarding
Five miles are due,
Link our four schools,
Give us three superstations,
How 'bout L/O?
And so glad you've brought us CATV."

of systems, the company is so noted for its high-tech performance that it is set up for criticism from less elaborately served communities. "We haven't seen any problem yet, though there is some sense here that we might," Hauser says. In fact, the 12-channel Somerville franchise, which expires in 1982, has been rumored as a possible refranchising target for Cablevision, which defeated Warner in nearby Boston.

Refranchising problems "depend greatly on the advice the cities get, the common sense of consultants. Some cities have to have it explained to them in arithmetical terms that you simply cannot do for a 10,000 subscriber market what you can for Dallas' 400,000-plus," Hauser says.

Suburban flight

Municipal telecommunications officers have begun to share uncertainties about the almost completely unregulated area of refranchising through a new national association. "We were so glad to find each other," said one. "It's nervewracking when you think no one has ever faced your particular problem with an operator before."

One of the first waves of information-seeking is the Notice of Inquiry put out by the Massachusetts cable commission in October and now being circulated among the states. Cable commissioner Thomas Steel spelled out some of the prompting.

"We have 107 franchises in the state offering, for an average $8.20 for basic, much more limited service than what people are very aware Boston was offered. There was," he said mildly, "a lot of reaction from subscribers. Also, there has not always been a smooth road between communities and cable companies here. There are allegations of unmet local origination promises, for instance. A lot of fencemending seems to have taken place just prior to the announcement of the Boston bids. But we're concerned at the present lack of any regulation over renewals when they may become a very volatile issue here."

"When the competition for initial licenses fades," reads the notice, ". . . it is reasonable to assume that the competition for renewals will increase substantially . . . . [This] could lead to a chaotic licensing situation . . ." To cope, Steel's group suggests alternatives: The community might be required to negotiate with the current licensee, perhaps "entitled to some favorable consideration because of its years of service . . ." But competition "seems to encourage applicants to propose more sophisticated . . . systems," while negotiations only with the existing operator might rob subscribers of the benefits of competitive bidding. So the community might issue an open solicitation of bids around renewal time.

But, if the current license expires while the new one is being bid, the community has no service and the existing "licensee might be reluctant to accept" a short-term renewal to bridge the gap if it knew other proposals were being heard. Alternatively, the notice concludes, "because each community is unique, it might be appropriate to allow each issuing authority to choose between negotiation with the incumbent and solicitation of bids. Steel looks to a proposed regulation, based on comments to the options, later this month.

Since there's no denying there are "cable slumlords," as they are called by operators and observers alike, there's

"That's it"

"The state statute governing cable television has little to say about renewals. An application . . . must be filed . . . accompanied by a $100 filing fee . . . a public hearing must be held on the application for renewal . . . and the term of the renewal license cannot exceed ten years."

—From the October Notice of Inquiry put out by the Commonwealth of Massachusetts Community Antenna Television Commission, facing 17 franchise renewals between 1981 and 1985

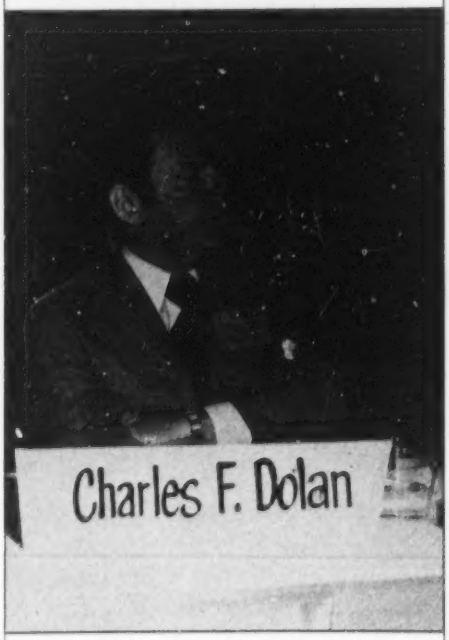
"Are you angry?"

"All grants or renewals of franchises shall be subject to the right to amend, alter or repeal the same in whole or in part, and to forfeit the same at any time for misuse or nonuse....Every such grant shall cease unless construction thereunder is begun within the time specified in the ordinance and completed with reasonable speed, and no grant shall be exclusive or for a period longer than 50 years."

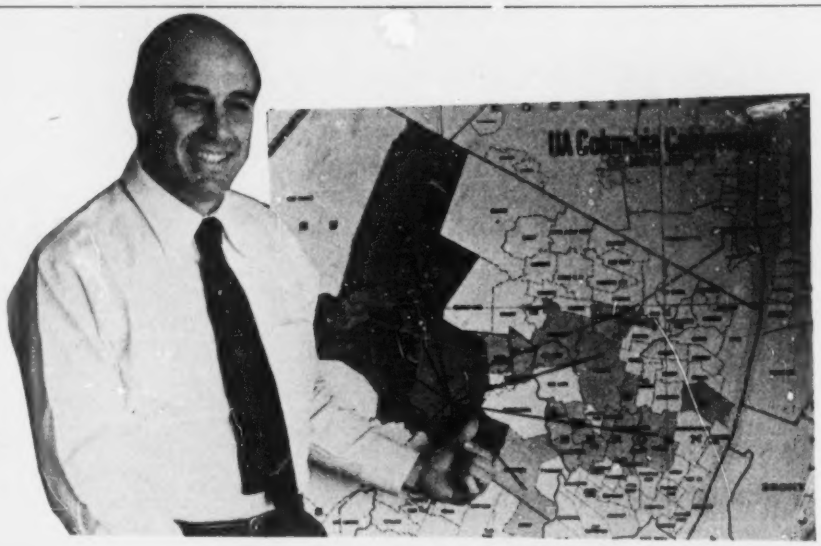
—From the charter of the city of St. Louis, Missouri, which took its 1969 franchise, Melhar Corporation, to court for inaction. Melhar countersued for a declaratory judgment confirming the franchise is valid and in effect.

"We're not going around in an opportunistic fashion scouting overbuild locations. But I don't deny that theoretically some are desirable."

—Charles Dolan



"The best thing that ever happened to the industry was to have Dolan get bogged down in major market builds," said one industry executive. "He won't have time to listen to a different drummer anymore."

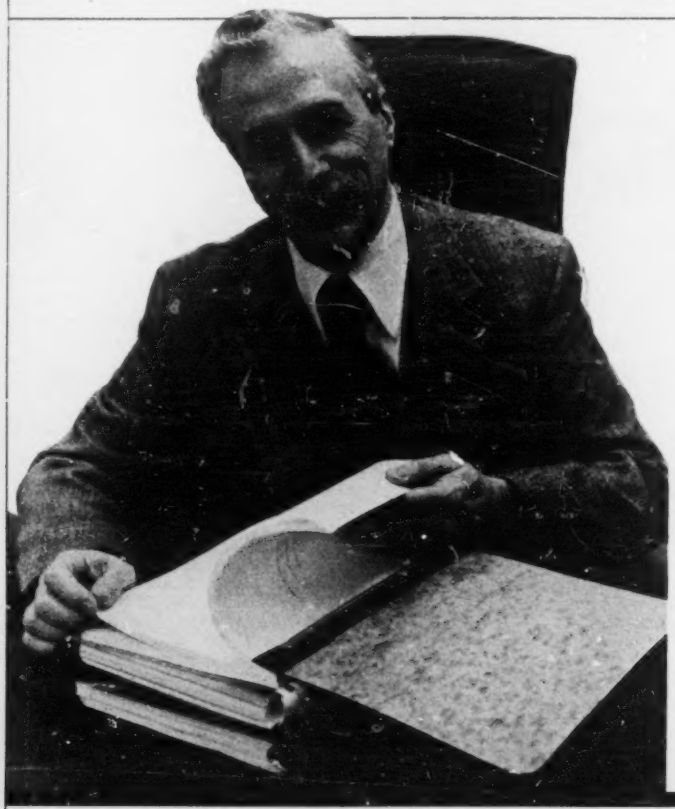


"We'll be making a big mistake if we use wild promises as a negotiating tool with cities looking to replace an operator."
—Bob Rosencrans

no great restiveness under the yoke of franchise termination. "It's perfectly appropriate. Keeps companies in line," says Teleprompter's Bresnan. "But," he goes on, leading a thronging chorus, "it ought to be looked at as a time to insist on changes, not just throw everything open."

In Canada and Ireland, where Rogers Cablesystems operates, "when the system management doesn't perform, they get a one-year renewal and a warning. If you get three in a row, you deserve what happens to you. Nobody sheds any tears for those guys," Ted Rogers said darkly. "But, generally, revocation is a nuclear deterrent. In many practical ways, it's just silly not to renew a franchise. There has to be something—the one-year extension, perhaps—between that and automatic renewal."

Throughout the interviews for this story, there was an unmistakeable strain of "if I say it, that will make it so" among companies not really quite so sure that cities will be "reasonable."



"We start from the premise that the city is best off to reconcile itself with the existing operator even if there are problems."
—Harold Horn

"Kalamazoo isn't going to want to be Boston," said one MSO, to choose randomly among comparisons hoped to be obviously nonsense. Equally randomly, we called "Fran" (that's the way she answered the phone), the city clerk in a small California town getting seven signals from a major MSO. No complaints, she said equably. "Cable is necessary for reception. We're glad to have it." Rebuild discussions are underway, but not at the city's instigation. "The operator brought it up with the city council. The franchise isn't due until 1984 and we hadn't begun to do any preliminary work yet."

On the other side of the spectrum, city management elsewhere is looking to cable for contributions on top of service upgrades. Left in a lurch by a federal retreat from funding which states cannot or will not pick up, cities face a tremendous squeeze on revenues. As New York's Democratic Governor Hugh Carey put it recently, "It's as though the federal government ordered everything on the menu and then walked out on the check." There will be, fear operators, an increasing tendency to look to cable for the golden egg—through raised franchise fees or sales taxes on customer bills—at just the point negotiators are trying to find leverage to keep rebuild demands within reason.

"With our politics in order, we can survive the slings and arrows of refranchising," said Comcast's Chris Derick. "After all, it's the art of compromise. If we haven't tended to politics, no franchise or technology is going to protect us. We've been very successful and we've believed our own press. A lot of people want a piece of us. We've painted ourselves into a corner of having to be very, very good. If we're not, we're in trouble."

The mayoral survey

Are cable's politics in order? *CableVision* did some political pulsereading in November. With the help of the National League of Cities, surveys went to 2,500 mayors. After calling out the non-cabled areas for use in a future article, our research team pored over 243 responses. Communities were broken out into four categories: those served by systems of 12 activated channels or less (19.3 percent of the sample) 12 to 20 channels (42.7 percent); 20 to 35 (30.8 percent) and over 35 (36 percent). Since NCTA's national tally of systems reveals 68.5 percent to be 12-channel capacity or less, the random distribution is certainly not a microcosm of the industry.

After New York director of franchises Morris Tarshis has awarded the four unwired boroughs, he will tackle the upgrade of the older Manhattan systems.

Urban refranchising

Poised to renegotiate

The city of New York, which almost 12 years ago negotiated franchising contracts with Manhattan Cable TV (Time Inc.) and Teleprompter Manhattan (Westinghouse), with both still used as industry models today, is poised to renegotiate those contracts.

Manhattan will be the site of the first major re-franchising. At present, however, the city is considering 13 companies for its four unwired boroughs. A clause in the city's contracts with MCTV and TPT requires the operators to match the level of service provided in any other part of the city.

Both companies offer Manhattanites 26-channels, far from state-of-the-art, but superior to service offered in much of the rest of the company.

TPT is proposing to build an elaborate 107-channel two-way interactive system. MCTV's parent, American Television & Communications, has also submitted a thoroughly modern proposal for the Queens franchise. The local media and city officials are well aware of the contrasts.

The New York Times' TV reporter Tony Schwartz, in a recent front page feature for the *Sunday* Arts section, said, "A pattern is emerging across the United States. Large companies that own cable systems, eager to win franchises in unwired cities, are quite willing to spend hundreds of millions of dollars to build modern systems. At the same time, they give much lower priority to rebuilding their older systems in the areas where there are no competitive reasons to offer the more lavish services."

Morris Tarshis, New York City's director of franchises, has indicated that as soon as the city determines the level of cable service required in the four unwired boroughs he will turn his attention toward upgrading the Manhattan systems. Manhattan's existing systems have not been a financial windfall for TPT or MCTV. ATC's subsidiary makes a slight profit while TPT barely breaks even.

Because of the publicity garnered by franchise activity in the boroughs, both of Manhattan's operators have publicly flirted with upgrading. But neither will commit until neighboring service is defined.

The two systems which pioneered major urban franchising will also pioneer major urban re-franchising and age gets no reverence.

But in stratifying opinions from variously served communities, the survey can be regarded as a litmus test for the way judgments alter—or don't—according to local experience.

Our sample was characterized, we found, by the fact that 65 percent or more of the respondents in all but the 35-channel categories were served by companies that had at one point or another increased the number of channels available. The bulk of all groups had also gone through a rate increase: 81 percent of the 12-or-fewer channels said they had; 75 percent of the 12 to 20; 55 percent of the 20 to 35, and 31 percent of the 35-plus.

The highest level of dissatisfaction reported came, not surprisingly, from the 12-or-fewer channels group. The question: "Are you generally satisfied

Tony Hoffman—from Wall Street analyst to local cable commissioner.

Rural refranchising

From the commissioner's chair

"Refranchising is a gigantic issue. Cities are going to be very aggressive," A.G. Becker media analyst Tony Hoffman was saying, echoing dozens of others interviewed for this article. And then he added, "I can see that in my own town where I'm head of the cable commission." Herewith, firsthand, the politics of rebuilding from the city's side:

Hoffman lives in Bedford, New York, served by Adams-Russell, who bought a local entrepreneur's skeletal system in need of substantial upgrading. Operators who have begun to repeat by rote that "every system is unique" might consider Bedford. The town used to include Mt. Kisco until, after a series of disputes, Mt. Kisco seceded in the mid-'70s. By then the cable franchise had already been let, and the holder's hopes had been pinned on the more densely populated secessionist, where 16 miles of plant passed 2,434 residences.

In Bedford Village, the high-density part of Bedford, 18.2 miles of plant passes 545 homes. (They're zoned for four acres.) But because the two towns remained friendly enough to share a cable commission, the Bedford part of the franchise is governed by what was originally written for the whole area. Not surprisingly, Adams-Russell is 'way behind the construction level that would put it in compliance with the contract. (It needs to pass 75 percent of homes; it passes 48.6 percent.)

The city, says Hoffman, considered inviting in other bidders. Those who were cabled were unhappy with the 23-channel service; those who were not were unhappier still. "So I dutifully talked to UA-Columbia and Maclean-Hunter, who operate nearby. They wouldn't take Bedford if it were handed to them. The density is laughable and we happen to have the only user-programmed six-channel school link-up, which is very nice but it siphons revenue and other companies know it. Cable has no business wiring a place like this. Adams-Russell has lost $200,000 to $250,000 in each of the last three years. The town's lucky to have them. They certainly won't need the town when, with the Bedford base of operations, they get all the Westchester County systems they want. But they're responsible. We wouldn't have cable if they weren't."

Now, the commission and the system, acknowledging they are bound to each other, have negotiated an upgrade and, after considerable discussion, will probably agree on a rate increase. But the creative product of the long bargaining is a community-tailored method of getting service to areas with five homes per mile or less. Under the formula, Adams-Russell need only spend what it would cost to build past 50 homes per mile, or $8,000. In the sparsely populated neighborhoods, home owners will pay the shortfall on $8,000. On a per-head basis, one family with five neighbors within one mile would put up $1,280. "But when Adams-Russell used to explain the problem to people without service, it wasn't uncommon for them to be perfectly willing to write a check for the full $8,000."

As soon as the earth station is operational and the new satellite networks available, Hoffman expects the rate increase to be granted. Adams-Russell plans to give the community a one-month free trial of the upgraded service. "At the current rate, this sharing of construction expense just lets them continue to lose as much on the new subscribers as the old."

It's still true that at every meeting, "someone turns up and says, 'I was reading about Boston. . . .'," Hoffman says. But that will pass. Community pressure for a more aesthetically pleasing black earth station did.

The country's mayors report

	under 12 channels	12-20	20-35	35+	
Are you generally satisfied with the level of service your community receives?	68% 32	68% 32	65% 35	1% 99	yes no
Has your system ever expanded the number of channels offered?	81 17 2	75 18 7	55 37 8	31 69 0	yes no no reply
Has the subscriber charge ever gone up?	50 50	75 25	87 13	81 19	yes no
In evaluating your system, which is more important: A. awareness of national cable developments? B. service in nearby community?	54 23 23	61 30 9	48 38 14	75 13 12	A B no reply
Are neighboring communities wired?	85 15	86 14	92 8	94 6	yes no
Compare service in your community to that in nearby areas.	23.4 21 8.5 46.8	18 30 17 35	19 23 24 34	0 56 35 9	inferior superior same no reply don't know
Problem areas, in order of importance.	channel capacity customer service willingness to upgrade speed in adding new program services local programming	channel capacity customer service local programming willingness to upgrade speed in adding new services	customer service speed in adding new services willingness to upgrade	customer service in-kind benefits local programming	
Additional services you intend to secure from cable in order of importance.	local access locally oriented programming distant signals	locally oriented programming local access distant signals	security interactive services locally oriented programming	security local programming interactive services	
Will you require agreement to upgrade before renewing franchise?	30% 5 65	15% 12 72	13% .4 86.6	1% 99	yes no no reply*
Do you intend to renew with the current operator?	36 6 58	45 1 54	23 5 52	38 6 56	yes no no reply*
Have you been approached by other companies. A. about building a second system (overbuilding)? B. about replacing the current operator where his franchise expires?	6 15 40 59	11 10 58 21	11 8 44 37	6 13 25 56	A B neither no reply*
Have you been approached by the current operator about early franchise renewal?	17 77 6	37 47 16	15 79 6	6 94	yes no no reply*

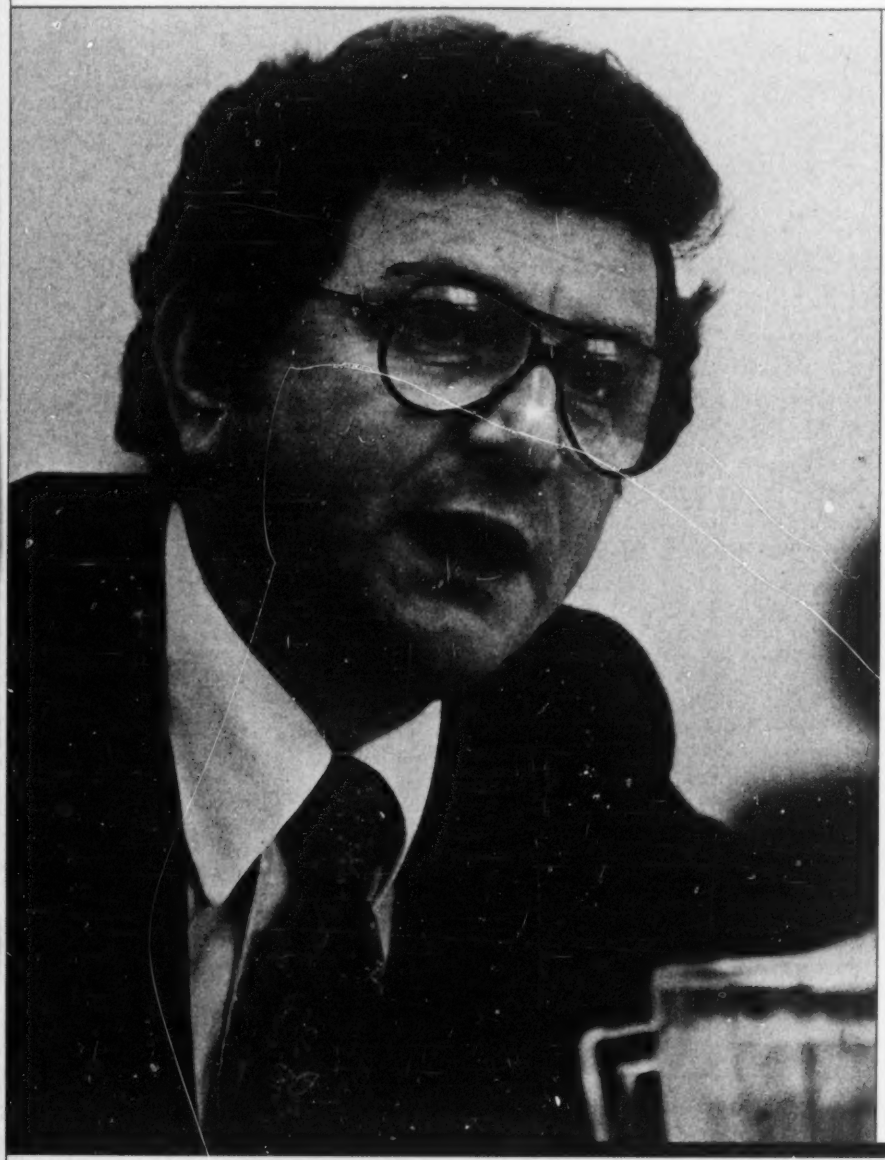
Selected questions from a nationwide mail survey conducted by *CableVision* staff in November 1981. Findings should be regarded as suggestive only. (See "*CableVision*'s Mayoral Survey" for details of the sampling.)

*Includes repondents who said franchises were too far from term to comment or who have granted a 20-year option to the current operator at expiration or whose agreement with the operator is an open-ended revocable license.

with the level of cable service your community receives?" Between the "yes" and "no" votes, the split was an even 50/50. In the 12- to 20-channel communities, 75 percent of the mayors said they were generally satisfied; in the 20- to 35-channel group, it was 87 percent. In the most elaborately served areas, it was 81 percent, a slight decline that is very likely related to another distinction: the 35-plus channel communities are more likely to use national cable developments in evaluating their own systems. Seventy-five percent of them say they rely on such a national touchstone. Among the other groups, between 48 and 61 percent rely on national awareness. The rest who responded cited the level of service provided in neighboring communities.

In all cases, the vast majority—85 to 94 percent—said nearby areas were cabled. Asked to judge the level of service in their own communities vs. the neighbors', 21 percent of the 12-or-less channel mayoral group graded their systems superior; 8.5 percent said they were comparable and 46.8 percent had no opinion or didn't know; 30 percent of the 12- to 20-channel group said theirs were superior to others; 17 percent the same; and 35 percent had no opinion or didn't know; 23 percent of the 20- to 35-channel group said theirs were superior to and 24 percent said theirs were the same as others, while 34 percent had no opinion or didn't know. In the top level of service, 50 percent gave their systems superior rank; 35 percent said they were the same as those nearby; and only nine percent said they didn't know.

In a multiple choice format, we asked for a ranking of nine problems: customer service, channel capacity, willingness to upgrade, provision of local programming opportunities, provision of in-kind benefits such as audio/visual equipment for schools, speed with which new programming services are added, concern for community standards and subscriber charges. In the first two categories, channel capacity led easily, tied among the 12- or fewer channel group with customer service. Customer service led in the 20-plus channel groups. Close behind in the first three categories was willingness to upgrade, tied in the 20 to 35 group with speed with which new



"This business has always required continous rebuilding. You shouldn't have to decide whether or not to do it with your eyes on a meter. If that kind of instability is introduced into the industry, it can't help but be reflected in operations."

—Bill Bresnan

programming services are offered and provision of local programming opportunities. For the 35-plus group, provision of in-kind benefits was third.

When it came to services communities intended to secure in refranchising negotiations, those in the 12-or-less and 12-to-20 groups close enough to contract's end to respond put local access and locally-oriented programming first, more distant signals next. In the newer or recently upgraded systems beyond 20 channels, most respondents listed no requisite service(s) on which refranchising depended. The rest gave interactive services, security and locally-oriented programming desireables.

Thirty percent of the mayors whose constituency received 12 channels or less said renewal would require an upgrade, 15 percent of the 12 to 20 and 20 to 35 groups said they, too, would demand expansion and one percent of the 35-plus group took the same tack. In all cases, the bulk of the respondents did not commit themselves one way or the other.

That same combination of circumspection and uncertainty was evident in the reaction to our question whether the current operator was likely to be renewed. About half the respondents in all categories did not reply. In the 12- to 20-channel group, 36 percent said they did intend to renew; 45 percent of the 12- to 20-channel group said they did; 23 percent of the 20- to 35-channel group and 38 percent of the 35 channels-plus group said they did.

About 20 percent in every category said they had been approached by others wishing to overbuild or replace the existing franchisee. Most respondents said they had not been approached by the current operator seeking to negotiate renewal before his franchise expires. But of those who had been approached, 47 percent, 55 percent and 55 percent in the first three categories of systems had agreed to early renewal.

Under "other"

The mayors and their cable staffs were given space to comment on other subjects or clarify answers that might otherwise seem too black and white. A large number pointed out that their systems are now engaged in rebuilding. "Basically," said one mayor who had underscored the "generally" in the survey's "Are you generally satisfied with the level of cable service in your community?", indicated he was very happy with the community's seven-channel system. "I have received some complaints from two locations in the city where service is not available yet, but the firm is working on providing it as soon as possible," the mayor said. "I have also had some calls concerning objections to programming and the management has worked with me in answering those complaints." His mild tone was reflected frequently in the comments of others. Even the one respondent who added a handwritten invitation to quote his excoriation of the small MSO delivering ten channels to his mountain town said, "We feel our negative attitude toward cable television is solely because the company we are dealing with has failed to live up to all the . . . agreements [that led to a franchise renewal]."

> "When major urban franchising is over, the hype will die and realism will set in. People will look twice at refranchising if the major markets fall short on accomplishments."
>
> —Vernon Achbar

Another, whose 12-channel system raised rates "this year and last year and the year before and every year," simply suggested that "as the holder of an exclusive franchise, the company needs to make more effort to convince people they are not being ripped off. Publicity on comparative rates elsewhere would help," he advised, clearly finding such knowledge explanatory himself. One mayor of a town in a heavily cabled area said he did intend to work toward renewal of the operator providing 40-channel service, though the regional company "is a relatively young operation and they are still smoothing some rough edges." Similarly, a recently renewed "21-channel system got this appraisal: It is generally responsive to our needs, but has experienced rapid growth . . . and the usual technological difficulties of a fast-growing industry."

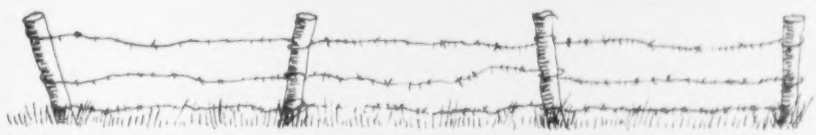
> "In 1984 things will start snowballing. It will last three or four years and will be won by the richest baseball teams. It's cable's free agent wars with the cities in the role of free agents."
>
> —Alan Kassan

Another mayor, whose system expanded from 12 to 23 channels last year, said the city had awarded a franchise to a "newly created cable company in 1977 which in three years was not able to build a system. Finally it was sold to the finest cable operator in the state." He went on to list the company's "firsts" in service and put a large check beside "intend to renew." And finally, there was this valentine to the system and itself from a city that had just renewed: "This city does not do extensive regulation of the cable company. In fact, we do not approve rates. We let the marketplace do that. Also the number of channels and the type of programming (with the exception of the morally offensive) is left up to the operator. Continued subscriber growth is his goal and ours. Incidentally, the company pays this city eight percent of its gross receipts!"

The warmth was not universal, of course. Some city governments made it clear they feel ill-served and powerless to change the company's direction. Complained one, "We have 30-channel capacity but no aggressiveness on the franchise's part to expand available channels [13, never upgraded] and little leverage to force it." "We tried to get state-of-the-art cable as a condition of renewal, but the company refused to negotiate," came from one city now embroiled in a lawsuit filed on antitrust grounds by the operator.

Word from a system that switched hands in a corporate acquisition spelled out some of the friction that can result: "We have the new owner on the ropes because we must approve any change in ownership. They say in buying the operator's parent company, they are immune from the franchise approval clause. We say they're not. In any event, we are getting many concessions . . . a new modern system to avoid a lawsuit." Previously, the respondent noted, the 12-channel system had been run in an "install-it-and-forget-it" tradition. And there was this reaction to a single-

system purchase: "The current cable company just recently bought this franchise. Their initial approach has been to ask for renegotiation on the term and the rate structure. They imply expansion and improved services, but they want a better return on investment."



"We face no risk whatever anywhere. We could stand up against anyone."
—Bob Rosencrans, president, UA-Columbia Cablevision

"You have more explaining to do . . . but so far we have had no problem."
—John Malone, president and CEO, TCI (interview in *Business Week*)

"We'll put our systems up against anyone's."
—Arno Mueller, vice president, Storer Cable

"I don't have any worry about renewing franchises. Any community we're in will renew us."
—Chuck Dolan, president, Cablevision Systems Development Corporation

"We've never lost a renewal."
—Gustave Hauser, chairman and CEO, Warner Amex Cable Communications

"When franchises expire there will be pressure to bring systems up to date but I don't think re-franchising will be a big issue."
—Robert Erburu, president and CEO, Times Mirror Corporation

In a widely echoed lament, one mayor confronting a 12-channel system terminating this year, and operated by an MSO providing lavish service elsewhere, asked for "an organization to obtain facts on how cable rates are increased." For example, if the franchise says the operator is entitled to his fair rate of return on fixed assets, "what action have cities taken? We need to know what rate of return was agreed to elsewhere to determine if rates could be increased." (Or, presumably, increased. Outgoing San Diego mayor David Schiffman signed Cox Cable to annual reports on projected vs. actual rate of return. If the actual exceeds the projected by two percent, the city council may consider a reduction in subscriber fees, reports Irene St. Onge, assistant to the city administrator.)

There was also humor, of a sort. Not much attention is given by the company to service," said one respondent in a 12-channel system just upgraded from nine. "There aren't enough personnel—manager is also serviceman."

The state of the cities

More analysis of the mayors' replies will follow as we study the responses that continued to pour in past the deadline. Based on our findings to date, "the art of compromise" Comcast's Chris Derick ascribed to refranchising above would seem in promising order. For the cities, no less than the operators themselves, pragmatism reigns. There is an admixture of naivete, disillusion and delusion, perhaps, but there is overall a common sense willingness in smaller markets to settle for—indeed to want—fewer stripes of cable's rainbow than the major markets get. The pots of gold to fund them simply come in different sizes.

There is close to universal acknowledgement that the era of 12-channel operations is over. How sharply goaded by political pressure companies must be to act on the acknowledgement differs from company to company. But most of the majors clearly are marching toward gradual upgrading at a clip internally, not externally set.

The inverted pyramids we called up earlier to describe the seven-, 12-, and 20-channel operations that subsidize their owners' far grander builds elsewhere could prove, with minor weather-guarding, as impervious to calendars as the right-side-up originals.

—Jeri Baker, Hugh Panero

"The FCC is a creature of the United States Congress, not of the FCC commissioners."

Battling the bottlenecks

Tim Wirth discusses crucial telecommunications issues from AT&T to cable and the First Amendment

After former Representative Lionel Van Deerlin (D-CA) was defeated in the 1980 elections, the House Communications Subcommittee was in need of a new chairman. One of the natural choices was the man who had served on the subcommitee since he was first elected to Congress in 1974: Timothy Wirth (D-CO).

Under the direction of Wirth, the subcommittee made some distinct changes, not the least of which was its name. Due to some shifting of responsibilities by the parent Energy and Commerce Committee, Wirth's subcommittee was rechristened the House Subcommittee on Telecommunications, Consumer Protection and Finance.

Despite the full plate of responsibilities as indicated in its title, the subcommittee retained as its top priority the rewrite of the Communications Act of 1934. Although the subcommittee had been tinkering with this task for six years, a massive effort was launched to gather additional information before a new piece of legislation would be drafted. The subcommittee held 11 days of hearings to fill in the gaps left by the previous attempts. The intent was to obtain adequate data to bring the 1934 Communications Act into the present, if not the future.

When all the testimony and written submissions had been duly recorded, the majority staff began the time-consuming, Herculean process of evaluating the data. The final result was a 650-page report—"Telecommunications in Transition"—that revealed the nature of competition in the telecommunications industry. The report would serve as underpinning for the rewrite that was to follow and Wirth did not underestimate the importance of the effort.

"It will be the most important legislation before the 97th Congress," he said.

David Price, *CableVision*'s deputy bureau chief of the Washington office, met with Wirth recently to discuss the report and its implications for the telecommunications industry.

CableVision: Let's begin with the majority staff report. Under your direction, the subcommittee has taken a different approach to rewriting the Communications Act. Would you explain the new tack and tell us what made you decide to use this approach?

Wirth: It seems to me that the number one philosophical underpinning of our economy and our society is competi-

tion. Any legislation that we write should be legislation designed to encourage competition. That is the fundamental principle that underlies the statements and approaches that we've made in the competition report.

Secondly, we decided to take a different kind of look at what the system is for. Previously, the assumption of the Communications Act was that we were dealing with a scarce commodity and the scarcity doctrine in turn dictates that you carve up a scarce environment among a few providers. What we're saying is, let's turn that on its head and let's look at it from the perspective of the users. What's the system for anyway? It's for 230 million Americans—the users out there, whether it's the little old lady in tennis shoes or General Motors or CitiCorp. Their perspective, what they need and what they want should also drive the legislation as well as the concerns of the providers. So there's a second fundamental theme in this which is a user perspective. Pro-competition is one; a user perspective is two.

A third is diversity of information. A fundamental tenet of a democratic society is that you have an informed electorate and that the informed electorate should be able to choose its own ideas. The Supreme Court has clearly upheld that in saying that one of the fundamental purposes of the First Amendment is to have as robust a marketplace of ideas as possible.

The fourth underlying assumption, which may not be different from other people's, is a deep skepticism of the capacity of the expert agency (the Federal Communications Commission) to regulate in the public interest, convenience and necessity. We have got to give the FCC more clear direction than it has now.

CV: How does this approach differ from the one used by the Senate Commerce Committee in drafting S. 898?
Wirth: Ours goes right back to assumptions and I'm not sure what assumptions were made over there. I think their assumption was that the purpose of the legislation was to deregulate the market. As I have said on so many occasions, you wouldn't deregulate the airline industry if one airline controlled 98 percent of the airline flights, owned 95 percent of the airports and controlled 90 percent of the rental car agencies. Just because there are competitive entrants doesn't mean that a market is competitive.

CV: Are the differences substantial enough to prevent a new Telecommunications Act from passing through the 97th Congress?
Wirth: I suspect that the virtues and validity of the way in which we're approaching this will be recognized by our brethren in the Senate, particularly after they come to recognize what the enormous consumer, rate-payer impacts of the Senate bill might be.

CV: And so the immense gathering of information was necessary to back your position?
Wirth: Well, you can't talk about competition unless you know what the extent of competition is and that's what we're doing.

CV: In Alvin Toffler's book, *The Third Wave*, he describes three turning points for man and society: the advent of the agricultural, industrial and informational ages. You have said that we are "smack in the middle of that third wave." What should the role of Congress be with respect to drawing guidelines for this new and very staggering information age?
Wirth: We have an obligation to do everything we can to create an environment that's going to be conducive to and not frustrating to the information age—for example, writing a good, clear, pro-competitive piece of telecommunications legislation. We as a country have to invest more in science and technology and research and development in space. We have to invest more in human beings. We are a think-intensive country. Our capital is in our human beings and just at a time when we are more and more dependent on individuals being well-trained, we're cutting back the number of computer scientists, we're cutting back the number of physicists, the number of mathematicians, biologists, chemists, electrical engineers and people going to higher education in general. It is absolutely insane public policy that we are following in the current budget that has been approved compared to what this country needs and where this country is going. Those are the environmental kinds of obligations that we have to anticipate to help the future and not to constrain it.

> "The question is whether the cable operators will recognize the possible First Amendment and other issues related to those bottlenecks and solve them before Congress has to move in."

CV: According to several statements you have made regarding the "expert agency," you are not terribly thrilled with the past performance and current philosophy of the FCC. You have said that, in many cases, the commission has inhibited rather than advanced competition. What changes are necessary to bring the FCC in line with the conclusions of the majority staff report?
Wirth: First, we have to make sure that the FCC understands that it is accountable to Congress and not to itself or to its own perception of what it's going to be. The FCC is a creature of the United States Congress, not of the FCC commissioners.

Secondly, the FCC has got to have clearer direction from the Congress and this is not their fault, it's ours. Part of that direction must be to refine and better define what we mean by public interest, convenience and necessity. The public interest standard is a very broad standard. What is your public interest can be somebody else's private rip-off. What we have to do is clearly define what we mean and one of the key themes is that the FCC must encourage competition.

CV: Recently, the Government Accounting Office released a report that stated, in effect, that the FCC is incapable of monitoring potential cross-subsidization between the regulated and unregulated subsidiaries of AT&T that would be established under both S. 898 and the FCC's Computer II. How do the shortcomings of the FCC affect the treatment of AT&T in any legislation that you would write?
Wirth: We have to do two things: one, make sure that the FCC doesn't try to do everything. There is no way that agency, no matter how big it may become or how well-paid its staff might be or how expert, could follow every development in the telecommunications world. So we have

to set priorities for them. That's terribly important so they know that one thing is more important than something else.

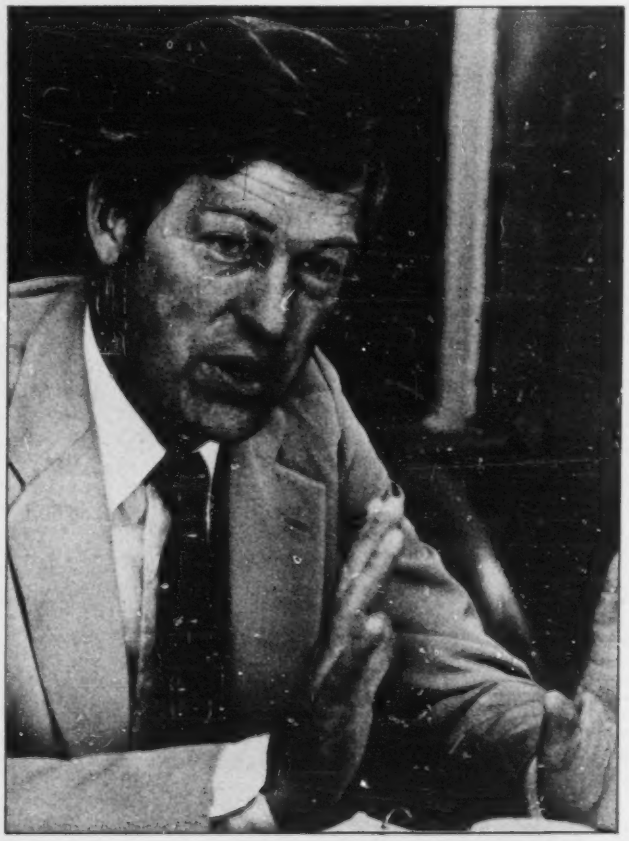
Secondly, we have to build into the legislation the kind of safegaurds that preclude cross-subsidy and not just leave it to the FCC accountants. As the GAO reports, that's impossible for the FCC accountants to follow. We have to set up the kind of structural and behavioral law that precludes the kind of cross-subsidy that everyone refers to.

CV: In the last several years, we have seen the courts, Congress, the Justice Department and the FCC attempt to restrain AT&T's occasional anticompetitive leanings. Is the Congress capable of preventing or even detecting anti-competitive behavior on the part of AT&T?

Wirth: Well, there are certain areas in which the markets are competitive and certain areas where they aren't competitive. What we've tried to do in the competition report is to identify those areas that are not going to be open to competition for some time so we don't have to worry about them. We can spend our time instead focusing on those areas which are competitive and take them one at a time. Each one of these markets is not identical. Long distance is not competitive, the local loop is not competitive, but services and equipment are highly competitive.

CV: Should AT&T be allowed to enter the computer and data processing fields?

Wirth: I think AT&T should be allowed to enter the computer and data processing areas, and in doing so, without cross-subsidy from their monopoly revenue base. The country benefits from competition and AT&T should be allowed to compete just like IBM can compete or Xerox or Burroughs or anybody else.



CV: The report discusses bottlenecks, or barriers to competition and diversity. Under what circumstances does a cable television system create a bottleneck problem?

Wirth: That's an area that is going to have to get a great deal of extensive discussion as to what possible bottlenecks occur. The cable industry has great potential for not being such a bottleneck because there are vast numbers of channels available in modern cable systems. The question is whether the cable operators will recognize the possible First Amendment and other issues related to those bottlenecks and solve them before the Congress has to move in and identify and work on the problem. I think the cable industry has shown every sign of being aware of that and being very progressive in thinking about it.

CV: If the cable industry does not act, do you see the possibility of legislating access requirements to avoid any potential problems?

"We have essentially the same video market in Washington, DC, as we did 20 years ago. The new technologies are on the horizon, but they're not here yet."

Wirth: The cable operators are so sophisticated and knowledgable about public policy that I think they'll do this on their own.

CV: When the report was released, you said that a competitive video marketplace was emerging, but it isn't there yet. What will determine when a video market is competitive enough to warrant deregulation?
Wirth: That's a very good question and we have to look at that. The data right now suggests that we essentially have the same video market in Denver as we did 20 years ago. We have essentially the same video market in Washington, D.C., as we did 20 years ago. The new technologies are on the horizon, but they're not here yet.

"You wouldn't deregulate the airline industry if one airline controlled 98 percent of the airline flights, owned 95 percent of the airports and controlled 90 percent of the rental car agencies."

CV: Another important aspect of the report is the content/conduit separation. How does this apply to cable television systems?
Wirth: I think the same principles of the First Amendment apply to everyone in this society. The First Amendment was not written for newspapers alone or radio and television alone; it was written for 230 million Americans and it was written to do two things: one, it was written to assure that there would be no government interference with the press and, secondly, and forgotten or not recognized by most people, the First Amendment was written to assure that Americans have access to a robust marketplace of ideas. That is extraordinarily important for everybody to remember: that there should be diverse and conflicting and different kinds of ideas available to all Americans. That First Amendment principle has to govern everything that we do.

CV: Is there a problem in the specific example of a newspaper chain owning a cable system?
Wirth: We talked earlier about bottlenecks and we're talking now about the First Amendment—they both run together. I think the cable people are very aware of the First Amendment implications and what they do and I think they are in the process of addressing them.

CV: Would you say that a joint venture, say between AT&T and Knight-Ridder, is the preferred method of providing informational services?
Wirth: That's perfectly fine as long as there isn't one entity that controls both the conduit and the information. The separation between the two is consistent with the First Amendment.

CV: What about vertical integration? Is that a barrier to competition and diversity?
Wirth: The whole issue of concentration is going to demand a lot of very careful examination.

CV: Your subcommittee has held one hearing on cable franchising and legislation is anticipated in this Congress. Are there any early indications as to what the industry can expect?
Wirth: Our number one priority now is the rewrite of the Communications Act. That's number one.

CV: One of the biggest problems you face personally is back home in Colorado. The reapportioning could leave you without a district. How does that stand?
Wirth: We're currently in court and there's nothing I can do about it. It's up to the governor and the state legislature and the court is ordering negotiations between the two parties. Some days it's promising and some days it isn't. We just have to wait and see.

CV: If it gets to the point that you're out of a district, what then?
Wirth: I don't think I'll be out of a district. No matter what district they end up giving me, I think that we've shown that we can compete. In the last election, even in the most difficult district in the state of Colorado, I ran ahead of Ronald Reagan. We had our own reverse landslide going. We have very, very broad support from all kinds of people of all ideological, political, social and economic stripes. We have an extraordinarily fine coalition of people who I think will go to bat for me again.

The telecommunications marketplace

An examination of the communications options in most television markets

The determination of competition on a market-by-market basis is one of the cornerstones of the subcommittee's competition report. Following is a compilation of the video and newspaper outlets in 211 markets.

Market	Television Households	UHF & VHF Stations	Radio Stations	Daily Newspapers	% Cable Penetration	% Cable Passby	Average # Cable Channels		MDS Channels	
1. New York, NY	6,410,900				14	54	4	17	28	29	1
2. Los Angeles, CA	4,140,000				18	64	3	12	23	23	1
3. Chicago, IL	2,968,100				11	59	2	4	6	27	1
4. Philadelphia, PA	2,385,800				10	34	2	22	23	27	1
5. San Francisco, CA	1,959,000				12	42	2	45	59	23	1

	Market	Television Households	UHF & VHF Stations	Radio Stations	Daily Newspapers	% Cable Penetration	% Cable Passby	Average # Cable Channels	MDS Channels
6.	Boston, MA	1,878,600	9	40	2	15	19	23	1
7.	Detroit, MI	1,661,400	7	35	2	3	4	27	1
8.	Washington, DC	1,465,800	8	36	1	10	8	29	1
9.	Cleveland, OH	1,394,800	5	28	2	17	32	20	1
10.	Dallas, TX	1,360,800	6	37	2	10	1	35	1
11.	Houston, TX	1,276,400	6	31	2	10	8	16	1
12.	Pittsburgh, PA	1,224,900	7	35	2	39	42	13	1
13.	Miami, FL	1,106,200	9	31	1	11	19	34	1
14.	Minneapolis, MN	1,094,200	6	30	2	6	3	30	1
15.	Seattle, WA	1,087,000	7	36	2	28	41	23	1
16.	Atlanta, GA	1,085,800	6	31	1	14	10	33	1
17.	St. Louis, MO	1,024,300	6	36	2	6	4	18	1
18.	Tampa, FL	937,800	7	29	1	16	48	21	1
19.	Denver, CO	874,900	5	28	2	9	13	37	1
20.	Baltimore, MD	862,900	6	27	2	5	9	28	1
21.	Sacramento, CA	811,400	6	19	2	19	24	21	1
22.	Indianapolis, IN	796,700	7	21	1	19	16	21	1
23.	Portland, OR	788,300	5	28	1	17	3	19	1
24.	Hartford, CT	785,000	7	24	1	35	61	33	1
25.	Phoenix, AZ	731,000	8	28	1	7	2	15	2
26.	Cincinnati, OH	702,800	7	25	2	10	8	28	2
27.	Kansas City, MO	696,700	6	25	1	20	30	30	1
28.	San Diego, CA	696,700	4	28	1	45	75	32	1
29.	Milwaukee, WI	678,700	6	24	1	7	10	25	1
30.	Nashville, TN	655,700	5	19	2	14	3	16	1
31.	Buffalo, NY	608,000	5	20	2	33	60	28	1
32.	Charlotte, NC	606,400	7	13	1	12	15	12	1
33.	Orlando, FL	597,500	5	22	1	33	44	18	2
34.	New Orleans, LA	588,400	5	22	1	15	12	29	1
35.	Columbus, OH	580,600	4	18	2	30	51	23	2
36.	Memphis, TN	570,200	5	22	1	14	11	36	1
37.	Grand Rapids, MI	565,900	5	15	1	30	45	19	1
38.	Greenville, SC	551,000	7	14	1	19	30	22	0
39.	Providence, RI	548,900	4	14	1	11	13	31	1
40.	Raleigh, NC	548,400	4	20	1	22	23	19	1
41.	Oklahoma City, OK	533,100	7	22	1	23	17	30	1
42.	Louisville, KY	524,000	6	22	1	16	6	21	1
43.	Charleston, WV	521,600	6	14	2	45	37	14	0
44.	Salt Lake City, UT	513,100	6	20	1	12	10	12	2
45.	San Antonio, TX	491,900	5	24	2	13	9	33	1
46.	Norfolk, VA	485,900	5	30	1	18	34	31	1
47.	Birmingham, AL	480,700	5	20	2	21	25	26	1
48.	Dayton, OH	472,500	5	13	1	27	51	30	1
49.	Wilkes Barre, PA	461,900	4	19	2	54	54	20	0
50.	Albany, NY	457,400	4	22	1	41	60	31	1
51.	Greensboro, NC	451,700	5	17	1	18			2
52.	Harrisburg, PA	445,500	6	11	1	40			1
53.	Flint, MI	442,400	5	9	1	26			1
54.	Little Rock, AR	440,400	4	15	2	16			1
55.	Shreveport, LA	429,700	4	14	2	30			1
56.	Richmond, VA	428,300	5	18	1	13			1
57.	Tulsa, OK	422,900	4	15	2	30			1
58.	Wichita, KS	408,400	4	12	1	34			1

	Market	Television Households	UHF & VHF Stations	Radio Stations	Daily Newspapers	% Cable Penetration	% Cable Passby	Average # Cable Channels	MDS Channels
59.	Toledo, OH	401,200	4	12	1	32			1
60.	Knoxville, TN	395,700	4	15	2	23			1
61.	Mobile, AL	387,500	5	14	1	27			2
62.	Jacksonville, FL	369,100	6	23	1	22			1
63.	Des Moines, IA	359,600	4	12	1	26			1
64.	Fresno, CA	358,900	7	21	1	14			0
65.	Roanoke, VA	352,200	4	12	1	29			1
66.	Syracuse, NY	350,500	4	18	1	40			0
67.	West Palm Beach, FL	349,000	2	17	1	44			2
68.	Green Bay, WI	347,800	4	8	2	16			1
69.	Albuquerque, NM	343,700	5	21	2	19			1
70.	Omaha, NE	336,800	5	15	1	7			2
71.	Rochester, NY	329,900	5	16	1	20			1
72.	Portland, ME	322,300	5	17	1	38			1
73.	Davenport, IA	322,000	3	14	0	31			2
74.	Paducah, KY	320,900	5	5	1	30			0
75.	Spokane, WA	320,300	4	20	1	35			1
76.	Springfield, IL	314,000	6	9	1	38			1
77.	Cedar Rapids, IA	313,500	5	10	1	8			1
78.	Bristol, VA	286,000	4	3	1	30			0
79.	Lexington, KY	285,700	4	9	1	22			1
80.	Chattanooga, TN	280,300	5	16	2	20			1
81.	South Bend, IN	277,200	5	9	1	22			1
82.	Springfield, MO	274,900	4	11	1	13			1

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	Market	Television Households	UHF & VHF Stations	Radio Stations	Daily Newspapers	% Cable Penetration	% Cable Passby	Average # Cable Channels	MDS Channels
83.	Johnstown, PA	274,400	5	6	1	62			0
84.	Jackson, MS	271,300	4	14	1	25			1
85.	Tucson, AZ	225,600	5	17	2	14			1
86.	Lincoln, NE	247,700	8	11	1	30			1
87.	Columbia, SC	242,100	5	16	1	24			1
88.	Evansville, IN	240,900	4	10	1	34			1
89.	Baton Rouge, LA	240,300	4	11	1	28			1
90.	Huntsville, AL	239,500	4	10	2	34			1
91.	Youngstown, OH	233,300	3	12	1	19			2
92.	Austin, TX	229,300	4	13	1	34			2
93.	Springfield, MA	227,000	3	18	1	29			1
94.	Ft. Wayne, IN	219,400	4	11	2	31			1
95.	Peoria, IL	218,600	4	12	1	38			1
96.	Lansing, MI	213,900	3	11	1	32			1
97.	Sioux Falls, SD	209,400	3	13	1	26			1
98.	Fargo, ND	209,300	4	10	1	32			1
99.	Waco, TX	209,300	3	8	1	56			0
100.	Burlington, VT	207,700	5	7	1	37			0
101.	Greenville, NC	203,300	4	5	1	12			0
102.	Colo.Springs, CO	197,900	4	17	2	20			1
103.	Savannah, GA	192,500	4	14	1	30			1
104.	Madison, WI	190,800	4	14	1	20			1
105.	Las Vegas, NV	190,200	5	13	1	1			2
106.	El Paso, TX	187,200	5	17	2	34			1
107.	Augusta, GA	187,100	4	13	1	22			2
108.	Rockford, IL	185,600	4	8	1	37			1
109.	Columbus, GA	183,300	4	10	1	33			1
110.	Monroe, LA	179,300	4	9	1	24			1
111.	Charleston, SC	178,900	5	12	1	16			2
112.	Salinas, CA	178,500	5	8	1	59			0
113.	Lafayette, LA	178,000	2	6	1	30			1
114.	Amarillo, TX	174,600	3	12	1	50			1
115.	Duluth, MN	173,400	4	12	1	24			1
116.	Santa Barbara, CA	170,100	2	12	1	67			2
117.	Joplin, MO	168,900	3	7	1	31			0
118.	Wheeling, WV	166,500	2	9	1	53			1
119.	Montgomery, AL	165,700	4	11	1	32			1
120.	Eugene, OR	163,500	2	15	1	52			1
121.	Yakima, WA	163,300	4	9	1	45			1
122.	Ft. Myers, FL	161,700	3	9	1	55			0
123.	Terre Haute, IN	161,200	3	10	1	30			1
124.	Beaumont, TX	160,300	3	14	1	22			2
125.	Wichita Falls, TX	157,900	4	6	1	39			1
126.	Wilmington, NC	157,000	3	9	1	31			1
127.	La Crosse, WI	156,500	3	8	1	39			1
128.	Tallahassee, FL	156,000	5	11	1	34			1
129.	McAllen, TX	154,700	2	9	1	23			1
130.	Corpus Christi, TX	154,200	5	11	1	21			1
131.	Sioux City, IA	152,800	5	8	1	23			1
132.	Wausau, WI	151,200	4	6	1	17			0
133.	Binghamton, NY	147,500	4	9	1	56			0
134.	Traverse City, MI	146,600	3	6	1	25			0

	Market	Television Households	UHF & VHF Stations	Radio Stations	Daily Newspapers	% Cable Penetration	% Cable Passby	Average # Cable Channels	MDS Channels
135.	Reno, NV	146,000	3	12	1	34			1
136.	Bluefield, WV	145,800	3	3	1	59			0
137.	Erie, PA	145,400	4	8	1	23			2
138.	Lubbock, TX	145,100	4	14	1	33			1
139.	Macon, GA	144,300	3	9	1	43			1
140.	Boise, ID	141,500	4	11	1	12			1
141.	Topeka, KS	139,600	3	8	1	46			1
142.	Rochester, MN	138,500	5	8	1	31			1
143.	Columbus, MS	138,400	3	7	1	43			0
144.	Chico, CA	131,400	3	5	1	45			0
145.	Minot, ND	131,300	8	6	1	31			0
146.	Quincy, IL	128,500	2	0	1	29			0
147.	Columbia, MO	124,700	3	8	2	30			0
148.	Odessa, TX	124,300	4	11	1	58			0
149.	Ft. Smith, AR	120,700	4	8	1	47			1
150.	Bakersfield, CA	120,300	3	11	1	58			2
151.	Bangor, ME	119,300	4	7	1	20			0
152.	Medford, OR	115,800	3	7	1	46			0
153.	Missoula, MT	112,200	4	8	1	39			0
154.	Abilene, TX	111,500	3	8	1	57			1
155.	Albany, GA	109,100	5	7	1	37			1
156.	Utica, NY	100,700	2	13	1	55			0
157.	Florence, SC	98,800	3	4	1	34			0
158.	Sarasota, FL	95,000	2	7	1	16			1
159.	Idaho Falls, ID	93,300	4	6	1	34			0
160.	Tyler, TX	92,000	1	7	1	47			1
161.	Rapid City, SD	87,600	3	8	1	37			0
162.	Laurel, MS	83,000	1	4	1	28			0
163.	Elmira, NY	82,000	2	8	1	66			0
164.	Alexandria, LA	81,800	1	6	1	40			0
165.	Panama City, FL	80,400	2	6	1	24			1
166.	Alexandria, MN	79,300	2	3	0	28			0
167.	Salisbury, MD	79,200	3	5	1	50			0
168.	Billings, MT	75,800	2	10	1	36			0
169.	Clarksburg, WV	75,500	3	6	1	51			0
170.	Dothan, AL	74,600	2	5	1	34			1
171.	Watertown, NY	74,500	2	4	1	45			1
172.	Lake Charles, LA	71,600	1	6	1	39			1
173.	Gainesville, FL	70,300	2	8	1	53			1
174.	Ardmore, OK	69,100	2	3	1	37			0
175.	Greenwood, MS	66,600	3	4	1	50			0
176.	Jonesboro, AR	66,000	2	5	1	39			0
177.	Great Falls, MT	63,900	2	7	1	42			0
178.	El Centro, CA	58,000	1	3	1	59			0
179.	Biloxi, MS	57,400	2	8	1	50			1
180.	Eureka, CA	54,900	3	5	1	53			0
181.	Palm Springs, CA	54,600	2	6	1	99			0
182.	Meridian, MS	54,300	3	7	1	30			0
183.	Casper, WY	53,000	2	4	1	64			0
184.	Marquette, MI	52,400	3	4	1	62			0
185.	Roswell, NM	52,300	2	7	1	64			1
186.	Grand Junction, CO	49,900	2	8	1	42			0
187.	Cheyenne, WY	49,500	1	6	1	54			0

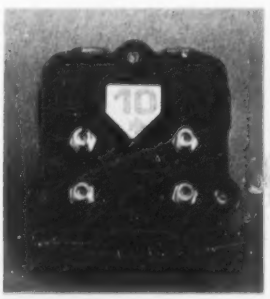
	Market	Television Households	UHF & VHF Stations	Radio Stations	Daily Newspapers	% Cable Penetration	% Cable Passby	Average # Cable Channels	MDS Channels
188.	Tuscaloosa, AL	48,700	1	10	1	40			0
189.	St. Joseph, MO	47,600	1	4	0	47			1
190.	Harrisonburg, VA	46,200	2	7	1	29			0
191.	Jackson, TN	44,000	2	5	1	40			1
192.	Lafayette, IN	41,200	1	6	1	64			0
193.	Bowling Green, KY	40,800	2	6	1	5			0
194.	Anniston, AL	40,700	2	4	1	55			0
195.	Lima, OH	39,400	2	6	1	67			1
196.	Mankato, MN	37,400	1	5	1	53			0
197.	San Angelo, TX	34,900	2	8	1	56			1
198.	Parkersburg, WV	34,500	1	11	1	72			0
199.	Ottumwa, IA	30,400	1	3	1	33			1
200.	Twin Falls, ID	30,300	1	5	1	46			0
201.	Zanesville, OH	30,000	2	2	1	58			0
202.	Presque Isle, ME	29,100	2	6	0	47			0
203.	Laredo, TX	28,900	2	3	2	63			1
204.	Farmington, NM	26,000	1	6	1	43			0
205.	Selma, AL	25,500	1	5	1	41			0
206.	Bend, OR	24,000	1	4	1	49			0
207.	Victoria, TX	24,000	1	5	1	70			0
208.	Helena, MT	16,700	1	6	1	50			1
209.	North Platte, NE	15,800	2	5	1	31			0
210.	Alpena, MI	15,100	2	4	1	52			0
211.	Miles City, MT	10,800	2	1	1	62			0

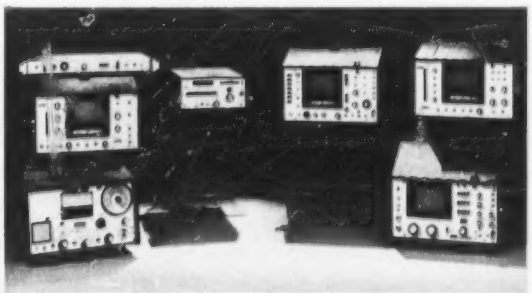
PRIESTER SUPPLY COMPANY, INC.

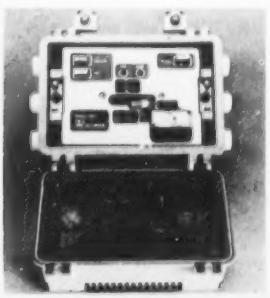
Texscan

Priester's 50 years of service in Texas as a stocking distributor, and Texscan's successful history as a manufacturer of CATV test and distribution equipment make a winning combination. Priester stocks for fast delivery Texscan/Theta-Com's full line including taps, splitters, line extenders, amplifiers and test equipment among others. Priester offers a warehouse facility of more than 50,000 sq. ft. and 5 experienced sales advisors.

Buy from a winner, give us a call today.







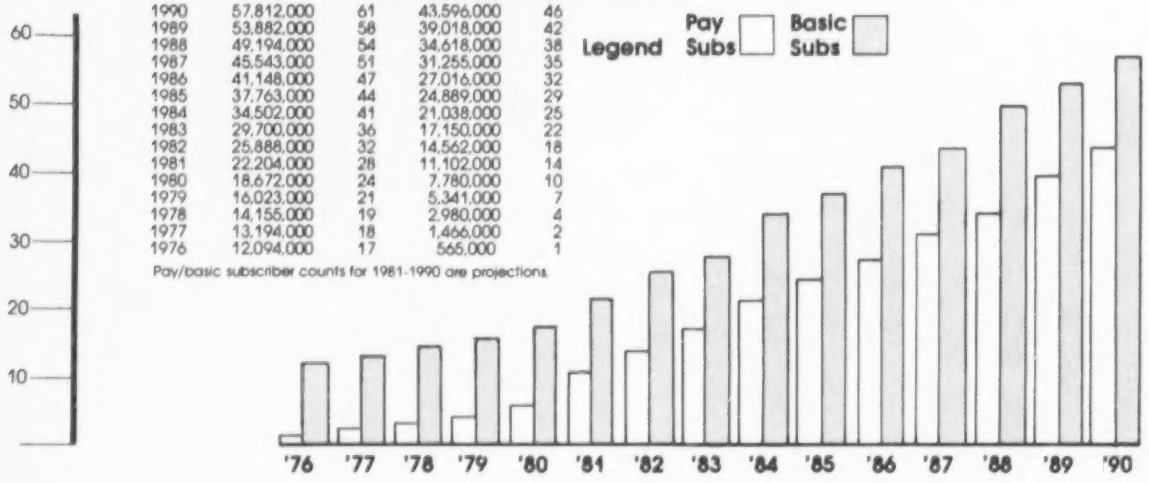
a Winning Combination

Priester Supply Company Inc.
P.O. Box 5507, 701 107th Street, Arlington, Texas 76011 (817) 261-1111

Pay/basic cable growth

Year	Basic Subscribers	% of TVHHs	Pay Subscribers	% of TVHHs
1990	57,812,000	61	43,596,000	46
1989	53,882,000	58	39,018,000	42
1988	49,194,000	54	34,618,000	38
1987	45,543,000	51	31,255,000	35
1986	41,148,000	47	27,016,000	32
1985	37,763,000	44	24,889,000	29
1984	34,502,000	41	21,038,000	25
1983	29,700,000	36	17,150,000	22
1982	25,888,000	32	14,562,000	18
1981	22,204,000	28	11,102,000	14
1980	18,672,000	24	7,780,000	10
1979	16,023,000	21	5,341,000	7
1978	14,155,000	19	2,980,000	4
1977	13,194,000	18	1,466,000	2
1976	12,094,000	17	565,000	1

Pay/basic subscriber counts for 1981-1990 are projections.



Top 30 MSOs

Rank	Multiple System Operator	Subscribers
1.	ATC	1,625,000
2.	Teleprompter/Westinghouse	1,533,322
3.	TCI	1,277,000
4.	Cox Cable Communications, Inc.	1,019,989
5.	Warner Amex Cable Communications, Inc.	820,000
6.	Storer Cable Communications	800,002
7.	Times Mirror	635,368
8.	Viacom Cablevision	535,000
9.	Newhouse Broadcasting (includes NewsChannels, MetroVision and Vision Cable)	528,981
10.	UA-Columbia	467,544
11.	Sammons Communications, Inc.	433,545
12.	United Cable Television Corporation	432,112
13.	Continental Cablevision, Inc.	410,000
14.	General Electric Cablevision Corporation	276,000
15.	Cablecom General/Capital Cities	268,577
16.	TeleCable Corporation	264,000
17.	Heritage Communications	210,000
18.	Liberty Communications	208,295
19.	Cablevision Systems Development (includes Cablevision of Chicago)	206,000
20.	Service Electric Cable TV, Inc.	189,500
21.	Comcast Corporation	186,392
22.	Wometco Communications, Inc.	180,000
23.	Midwest Video Corporation	174,349
24.	Century Communications	162,000
25.	TCA Group	155,000
26.	Tele-Media Corporation	154,000
27.	Western Communications, Inc.	146,399
28.	MacLean Hunter (includes Metro, Suburban and Wayne Cable)	143,451
29.	Daniels & Associates, Inc.	140,000
30.	Colony Communications, Inc.	131,459

Top 30 cable systems

Rank	Location	Operator	Subscribers
1.	San Diego, CA	Cox Cable	209,000
2.	Long Island, NY	Cablevision Systems	140,000
3.	Manhattan, NY	ATC	124,300
4.	Manhattan, NY	Teleprompter	120,000
5.	West Orange, NJ	Suburban Cable	114,626
6.	Los Angeles, CA	Theta Cable/ Teleprompter	100,000
7.	Wayne, NJ	UA-Columbia	94,937
8.	Tulsa, OK	United Cable	91,113
9.	Erie County, NY	Prime Cable	90,961
10.	San Jose, CA	Gill Cable	86,000
11.	Central Islip, NY	Viacom	79,673
12.	Audubon, NJ	Audubon Electronics	79,125
13.	Orlando, FL	ATC	68,550
14.	Toledo, OH	Buckeye	66,907
15.	Wilmington, DE	Rollins Cable	65,600
16.	Austin, TX	ATC	65,295
17.	Grand Rapids, MI	General Electric	63,777
18.	Honolulu, HI	Oceanic Cable/ATC	59,400
19.	San Francisco, CA	Viacom	59,138
20.	Flint, MI	Comcast	57,255
21.	Allentown, PA	Twin County	57,000
22.	Santa Barbara, CA	Cox Cable	54,322
23.	Baton Rouge, LA	Daniels	52,000
24.	San Diego, CA	ATC	51,350
25.	Buffalo, NY	Cablescope	50,254
26.	Harrisburg, PA	Sammons	50,204
27.	San Rafael, CA	Viacom	46,286
28.	Monterey, CA	Western Communications	46,189
29.	Reading, PA	ATC	45,200
30.	Seattle, WA	Viacom	43,897

National advertising**

ARTS

New Clients
AT&T
General Motors
Mobil Oil Corporation

BET

New Clients
Carson Products (Dark & Lovely)**
Eastman Kodak
Ford Motor Company
General Foods
Home Box Office
Merrill Lynch
Metropolitan Life
North Carolina Mutual
Reynolds Metals
Wilson Sporting Goods
Wrigley's
Westinghouse

Renewals
Amtrak
Anheuser-Busch
General Electric
Mobil Oil Corporation
PepsiCo
Phillips Petroleum
Sears
Sports Illustrated
U.S. Army
U.S. Navy
Xerox

CNN

New Clients
ABC Leisure
ABC Video
Ace Hardware
Alcoa
Aloe International**
American Fur
Basic Four Computers**
Beaird Poulan Saw Company
Benjamin Moore Paint
Boise Cascade
Burro Trailers**
Champion Spark Plug
Cheesebrough-Ponds
Chevron Oil
Chrysler Corporation
Citicorp
Clorox
Congressional Club
CPC International (Best Foods)
CSX Corporation**
Days Inns
D-Con
Eastern Airlines
Eastman Kodak
E.R.A.
ESPN**
Ford Motor Company
General Cigar
Gillette
Goodyear Tire & Rubber
Gulf Oil Corporation
Hartford Insurance (ITT)
Harve Benard**
Hereth, Orr, Jones**
Hitachi
IBM Corporation
J.C. Penney
Kaiser Aluminum**
Kelly Springfield
Kennesaw Mint
Kingsford Company
L'eggs Products
Libman Broom Company**
Magnavox
Maona Loa**
Max Factor
Mayflower**
McCullough Chain Saws
Memorex
Metropolitan Life
Mirror Brite Auto Polish
Mobil Oil Corporation
Mushroom Shoes**
Nabisco
Norcliff Thayer
Playtex
Red Carpet Inns
Revlon
Reynolds Metals
Richardson-Vicks
Sears Daniel, Inc.
Saab
S.C. Johnson
Schering Plough
Scott Paper
Speed Queen
Thomas J. Lipton
Tog Shop**
Turtle Wax
Twentieth Century-Fox
U.S. Air Force
Wang
Warner Communications

Renewals
Alpo Dog Food
Amana
American Cyanamid
American Express
American Home Products
Andrew Peck Stockbroker
Arkla Grills
Atlantic Richfield
AT&T
Avon Books
Bristol-Myers
British Calendonian Airways
Campbell Soup
Canon
Dow Jones
Duracell
Electra Company
Exxon
Fidelity Group of Funds
Florida Citrus Commission
Franklin Spier Publishers
G.E. Credit
General Foods
General Mills
General Motors
GTE-Sylvania
Haggar Company
Hanes
Hilton Hotels
Hinkle Enterprises
Holiday Inns
Home Box Office
Hyatt Corporation
Irma Shorell Cosmetics
Jartran Truck Rentals
Jenn-Air
Johnson & Johnson
K-Mart
Konica
Kraft
Lanier Business Products
Lionel Leisure
Maalox
MasterCard
McDonnell-Douglas
Menley James
Merrill Lynch
Neighborhood Realty Group
Nestle
Newsweek
Oster
Proctor & Gamble
Quaker Oats
Ralston Purina
RCA
Remington
Rodeway Inns
Schlitz
Sears
Sentry Insurance
Sharp Electronics
Shearson-Loeb-Rhoades
Shell Oil
Showtime
South African Airways
Time Inc.
Toyota
UGL Paints
Union Carbide
U.S. News and World Report
Vivitar
Warner Amex
Warner Lambert
Wrigley's
Xerox

CBS Cable

New Clients
Exxon
Kellogg's
Kraft
Quaker Oats

Christian Media Network

New Clients
Amana
Foreman & Clark Clothiers
Hobart (Kitchenaid)
Keenan & Clarey
Time-Life Books
Word Records

ESPN

New Clients
Activision**
Alcoa
American Home Products
Apple Computers**
Arbor House**
Avco Embassy Pictures
Avis
Avon
Beaird-Poulan
Benjamin Moore Paints
Blue Nun Wines
Bobby Hinds Lifeline Gym
Bost Enterprises
Bristol-Myers
Bruno-Dean Enterprises
Brown Shoe
Brunswick
Cablecast**
Cable TV Program**
Campbell Soup
Capital Gains**
Carol VI Music**
Carter Wallace
Casio**
CBS
Champion Spark Plugs
C & L Marketing**
Coleco
Colgate-Palmolive
Columbia Pictures
Commodore Electronics**
Continental Insurance
Converse
Covetics**
Dow Chemical
Discover Americard**
E & M Advertising**
Eastern Airlines
Eastman Kodak
Ebonite Bowling Balls**
Ettinger Enterprises**
Family Handyman**
Federal Express
Fiat
Filmways Pictures
Fingerhut Catalogs**
Firestone
First Jersey Securities**
Ford
Fotomat
Fram
General Foods
General Motors
Gillette
Goodyear
Haggar
Hall Catalog**
Hertz
Hitachi
Hockey magazine**
Hockey News**
HBO
Homer Formby Products
IBM
Inc. magazine**
J.B. Williams
J.C. Penney
Jet Report magazine**
Johnson & Johnson
Kemper Insurance
Kraco
Kroy Industries**
M & M/Mars
Muttel
McGraw Hill
Meguiar's Auto Polishes
Mennen
Mercedes-Benz
Metropolitan Life
Michelin
Microsonics**
Mitsubishi
Mobil
National Home Life Insurance
Nissan Motors
Norelco
Paramount Pictures
Pentax
Penthouse magazine
Philips Petroleum
Popeil Products
Porsche Audi
Pro magazine**
Qantas Airways**
Radio Shack
Ralph Esposito Enterprises**
RB Products**
RCA
Reed-Union
Renfield Importers
Richland Shoe**
R.J. Reynolds
Rochester Clothiers**
Rolex**
Ross Daniels**
Saab
SBM Professional Management**
Schrade**
S.C. Johnson
Shelburn Gardens**
Showtime
Smith Barney
Sperry
Sport magazine
Stokley Van Camp
Tennis magazine**
Time-Life
Timex
Time-Mirror magazine
Top Rank Productions**
Toyota
Troy Bilt Garden Equipment**
True Value Hardware Stores
Twentieth Century-Fox
United Artists
Universal Pictures
U.S. General Supply
U.S. Navy
U.S. News and World Report
U.S. Tobacco
Volvo
Wally Frank**
Warner Lambert
Wellington Properties**
William Sonoma Catalog**
Xerox
Yamaha

Renewals
Ace Hardware
American Cynamid
American Express
Anheuser-Busch
AT&T
Colonial Penn Insurance
Dow Jones
Encyclopedia Britannica
Equity Art Fund
Exxon
Freedom Phone Electra Company
Fuji Film
Getty Oil
GTE
Hilton Hotels
Holiday Inns
Kiplinger Publications
Marriott Hotels
Newsweek
Noxell Corporation
Owens-Corning Fiberglass
Panasonic
Pennzoil
Playboy
Prince Manufacturing
Smithsonian magazine
Source Financial
The Sporting News
Sports Illustrated
Sports Shack
Subaru
TV Guide
Urban General Corporation
Volkswagen
Warner Amex
Warner Communications

MSN

New Clients
American Iron & Steel Institute**
AT&T (Western Electric)
Black & Decker
Borden
British Post Office**
Charmglow
Chemical Manufacturers Association**
Culligan
Diamonair**
Encyclopedia Britannica
Faultless Starch (Bon Ami)
First Commodity Corporation of Boston**
GK Technologies
Gillette
Haggar
Howlett Aluminum**

Cable stats

Kraft
Libby's Products
Maytag
Mercedes-Benz
North American Systems
Oster
Pennzoil
S.C. Johnson
Sherwin-Williams
Tandy (Radio Shack)
Thomas J. Lipton
Vogue Butterick
Wear-Ever
Weight Watchers

Renewals
Anheuser-Busch
Conoco
Dow Chemical
Edison Electric
Ford
General Motors
Hershey Foods
J.C. Penney
John Hancock
Kelly Services
Kemper Insurance
Liberty Fund
Monsanto
Montgomery Ward
Occidental Petroleum
Philip Morris
Pillsbury
Proctor & Gamble
Ralston Purina
St. Regis Paper
Tenneco
Texaco
United Airlines

MTV

New Clients
Andron Fragrance
Avco Embassy Pictures
Casablanca Records**
Chanel
Dolby
Filmways Pictures
The Gap
Magnavox
Memorex
Musk Fragrance
Nestle
Pepsico
Philip Morris (7-Up/Mountain Dew)
Proctor & Gamble
S.C. Johnson
United Artists
U.S. Navy
Universal Pictures
Warner Communications (Atari)
Warner Lambert

SPN

New Clients
Aer Lingus Airlines**
Allied Irish Bank**
American Express
American Fur Industries**
Avon Books
Bristol-Myers
Eastman Kodak
Esquire Video Cassettes**
Estee Lauder**
Exxon
Ford
Gillette
Home Box Office
IBM
Irish Tourist Board**
Kuwait Air Lines**
Lever Brothers
Metropolitan Life
Paine Webber
Pillsbury
Polygram Records**
Ralston Purina
S.C. Johnson
Texaco
Thompson Medical
TWA
Travel Holiday magazine**
Urban General
Wrigley's

Renewals
Attenzione magazine
Dow Jones
Doubleday (Literary Guild)
Family Circle
Il Progresso
Newsweek
Peugeot
Time-Life

SIN

New Clients
Bic
Coca Cola
Columbia Pictures
Faberge
Goodyear
H.J. Heinz
J.C. Penney
Mattel
Mexico National Tourist Board**
Morton-Norwich
U.S. Coast Guard
Universal Pictures

Renewals
American Home Products
Anheuser-Busch
Armour-Dial
Bulova
General Foods
General Mills
Gillette
Johnson & Johnson
K-Mart
Kellogg's
Kinney Shoes
Kraft
McDonalds
Pepsico
Philip Morris
Polaroid
Proctor & Gamble
Rubbermaid
Schlitz
S.C. Johnson
Vidal Sassoon
Wrigley's

TeleFrance

New Clients
American Fur Industries
British Airways
Consumer Reports*
Daniel Hechter**
Elf Aquitaine**
Exxon
Ford
HBO
Peugeot
Remy Martin
Travelers Insurance

Renewals
Air France
Chanel
Jean Paul Germain
Metropolitan Life Insurance
Renault
Revlon

USA Network

New Clients
American Fur Industries
American Veterans Health and Accident Insurance
Absorbine Jr.
AT&T
Australian Tourist Commission**
Bic
Biney & Smith (Crayola)
Blue Nun Wines
Bristol-Myers
Britrail**
Brown Shoe
Clinique**
Consolidated Cigar
Dow Jones
Exxon
Federal Express
Fiat
Ford
General Electric
General Foods
Gillette
Golden Nugget Hotel**
GTE
Honda
J.C. Penney
Kodak
L'eggs
Levelor
Magnavox
Mattel
Maybelline
Mazda
Mobil
Pentax
Playboy
Porsche Audi
Pro magazine
Rolling Stone magazine**
St. Regis Paper
Scott Paper
Sherwin-Williams
Showtime
Singapore Airlines**
Spaulding (Questor)
Twentieth Century-Fox
U.S. Navy
Warner Amex
Warner Communications
Wrangler
Wrigley's
United Artists
Universal Pictures
Volkswagen

Renewals
American Express
Anheuser-Busch
Eastern Airlines
Holiday Inns
HBO/Time-Life Books
Johnson & Johnson
Levi Strauss
Merril Lynch
Newsweek
Pepsico
Philip Morris (Miller Brewing)
RCA
Toyota
Z-Brick

WTBS

New Clients
A.H. Robins
Anheuser-Busch
Armour
Aurora
Beck & Gregg**
Beechnut Chewing Tobacco**
Capitol Records
CBS Toys
Celotex Corporation
Coleco
Color Forms
Consolidated Foods
Conwood/Hot Shot**
Dr. Scholls
Eastern Airlines
ESPN
Esmark
Faberge
Flavo Rich**
Fort Walton Beach**
Foster Grant Sunglasses
Frito Lay
Gatlinburg Tourism**
Getz
Gulf Oil
Hardees
Honda Power Products
Hudson & Marshall**
Jeno's Pizza
Johnson, S.C.
Kleen King**
K-Tel
Krystal**
Lee's Jeans
M & M/Mars
Matchlight Charcoal
Mauna Loa
Max Factor
MCA Records
Mirror Brite Auto Wax
Mississippi Gulf Tourism
Mobil Oil Corporation
National Car Rental
North Carolina Mutual
Opryland Resort**
Panasonic
Pennzoil
Pinkerton**
Pioneer Stereo
Playboy magazine
Plough (Paas kits)
Pure Water, Inc.**
Ronco**
Science '81
Servistar**
Skill Corporation
The Sporting News
Stanley Tools
Star Brite
Stihl
Swiss Colony
Time-Mirror magazine
Thompson Medical
Tuborg Beer
White, Martha**
Zales

Renewals
Acme Boots
Aftate
Air Force Reserves
Alabama, State of
Alberto Culver
American Home Products
Binney & Smith (Crayola)
BMW
Bristol Myers
Campbell's Soup Company
Canon
Champion Home Builders
Champion Spark Plugs
Chattanooga Chew
Chick-Fil-A
Ciba Geigy
Citicorp
Coca Cola
Colgate
Consolidated Cigar
Coosa Slacks
Cotton States Insurance
Datsun
Daytona Beach Tourism
Days Inns of America
Dow Chemical
Dow Jones
Fiat
Florida Tourism
Ford Motor Company
Fram
Franklin Spier Books
Gabriel Toys
General Cigar
General Electric
General Foods
General Mills
General Motors
Gillette
Golden Flake
Goodyear
Goody's/SSS
Hanes Hosiery
Hartz Mountain Products
Hasbro Industries
HBO
Hershey Foods
Holiday Inns
Honey Baked Hams
Hubbard Slacks
Hyatt Hotel
Ideal Toys
Jacobson Lawn Products
Jenn-Air
Jim Dandy
Kellogg
Kelly Springfield
K-Mart
Kemper Insurance
Kenner
L'eggs Hosiery
Lego Toys
Lesney Products
Lever Brothers
Life Magazine
Lionel Leisure
Magnavox
Maybelline
McKee Baking
Mego Toys
Milton Bradley
Morton-Norwich
Nabisco
Nestle
Newsweek
Noxema
Owens Corning
Pabst/Blue Ribbon
Penney, J.C.
Pepsico
Pigeon Forge
Pillsbury
Quaker State
Ralston Purina
RCA
Red Carpet Inns
R.J. Reynolds
Schwinn
Schering Plough
Sears
Showtime
Starkist
Stokley Van Camp
Stride Rite
Stroh's
S/V Tools
Sunkist
Sun Life Group
Suzuki
Time Inc.
Tomy Toys
Toyota
Turtle Wax
Union Carbide
Universal Pictures
U.S. Army
U.S. News & World Report
Vivitar Cameras
Volkswagen
Volume Shoes
Warner Amex
Warner Lambert
Wagner Thirst Quencher
Wrigley

*This chart lists national advertising sales by basic cable networks made so far for 1981.
**New to network advertising.

Subscriber counts

Basic Cable Services (television)*	Systems	Homes	% Change In Homes From 9/30
WTBS	3,633	16,730,000	+6.03
CBN	2,900	13,800,000	+3.76
ESPN	2,757	12,708,608	+4.05
C-SPAN	1,150	10,000,000	N.C.
CNN	1,681	9,115,000	+5.38
USA Network	1,600	9,000,000	+5.88
BET	760	8,323,266	+2.35
WGN	2,101	7,144,557	+3.89
Nickelodeon/ARTS	1,400	5,600,000	+7.69
WOR	1,073	4,353,246	+3.93
Modern Satellite Network	538	4,100,000	N.C.
PTL	390	3,950,000	+0.25
SPN (as of 10/15)	347	3,327,416	+5.76
CBS Cable (new this month)	250	3,000,000	N.A.
SIN**	145	2,756,800	N.C.
AETN	285	2,681,478	+7.26
MTV	300	2,500,000	N.C.
National Jewish Television	63	1,528,650	+6.61
ACSN	233	1,271,608	+12.48
Trinity	140	1,271,562	+9.62
Episcopal Television Network	67	1,042,000	+0.68
Christian Media Network	120	1,000,000	N.A.
North American Newstime	115	830,000	+0.52
Eternal Word Television Network	14	285,900	N.C.
Basic Cable Services (audio)*			
WFMT	88	605,856	+2.06
Lifestyle	30	300,000	+27.54
STV Service*			
SelecTV Programming	9	210,000	+10.53
Pay Cable Services (television)*			
Home Box Office	3,000	7,500,000	+7.14
Showtime	1,300	2,500,000	+25.00
The Movie Channel	1,400	1,650,000	+10.00
Cinemax	400	700,000	N.C.
Home Theater Network	210	142,000	N.C.
Escapade	65	140,000	+7.69
Private Screenings***	11	127,000	+1.60
Bravo***	11	120,000	N.C.
GalaVision	105	92,000	+2.22

Announced Satellite-Fed Cable Services	Projected Launch Date
Cable News Network II	1/1/82
Home Theater Network Plus	1/1/82
Eros	1/1/82
Daytime	3/15/82
RCTV/The Entertainment Channel	first quarter 1982
Satellite News Channels (channel one)	first quarter 1982
Cable Health Network	second quarter 1982
The Nashville Network	second quarter 1982
Cable Newspaper Corporation	second quarter 1982
UTV Cable Network	second quarter 1982
Kidvid Network	second quarter 1982
ESPN/ABC pay sports service	second quarter 1982
The Weather Channel	second quarter 1982
Sinemerica	mid-1982
Black Music Cable Network (Inner City/Unity)	third quarter 1982
Satellite News Channels (channel two)	fourth quarter 1982
The Disney Channel	first quarter 1983
Las Vegas Entertainment Network	T.B.A.
The Buena Vista Channel	T.B.A.
Lewmark Productions' Music Channel	T.B.A.
Heartbeat Media Network	T.B.A.
Spanish Universal Network	T.B.A.
Window (independent producers network)	T.B.A.
Video Concert Hall (relaunch)	T.B.A.
Penthouse Entertainment Network	T.B.A.
Times Mirror Shopping Channel	T.B.A.
The Nostalgia Network	T.B.A.

*Satellite-fed services' subscriber counts are as of October 31 unless noted otherwise.
**Estimated Spanish speaking households, includes broadcast stations and translators.
***Includes STV services.
N.A. designates not available.
N.C. designates no change.
T.B.A. designates to be announced.

Satellite line up

Satcom I (RCA Americom)	Transponder
Warner Amex (Nickelodeon/ARTS)	1
PTL Television Network	2
United Video (WGN, WFMT, Lifestyle, JISAL, Dow Jones)	3
Inoperative	4
Warner Amex (The Movie Channel)	5
Southern Satellite Systems (WTBS, The Women's Channel, Cabletext, North American Newstime)	6
ESPN	7
Christian Broadcasting Network	8
USA Network, C-SPAN, Black Entertainment Television	9
Showtime (west)	10
Warner Amex (MTV: Music Television)	11
Showtime (east)	12
HBO owned, presently not working	13
Cable News Network	14
Warner Amex owned (for CNN II)	15
Showtime, ACSN, National Jewish Television, AETN, Compact Video (4:00 p.m. to 4:00 a.m.)	16
Showtime (used by Eastern Microwave for WOR)	17
Reuters, GalaVision (at night)	18
United Video (7:00 a.m. to noon) Times Mirror (Spotlight, noon to 7:00 a.m.)	19
HBO (Cinemax-east)	20
Landmark (Home Theater Network during early evening)	21
HBO (west), Modern Satellite Network, leased for Daytime Jan. '82	22
HBO (Cinemax-west)	23
HBO (east)	24

Satcom IIIR—Projected launch November 19, 1981, 24 transponders, 4/6 GHz
Satcom IV—Projected launch January 12, 1982, 24 transponders, 4/6 GHz
Satcom V—Projected launch mid-1982
Satcom IR—Projected launch September 1983
Satcom IIR—Projected launch September 1983

Westar III (Western Union)	Transponder
Audio	1
Hughes Television Network, Blairsat	2
Intelsat (Mexico)	3
Audio	4
Occasional use	5
CBS Cable	6
Robert Wold Company/Satori (Private Screenings)	7
SIN	8
SSS (SPN)	9
ABC TV	10
CNN	11
Eternal Word Television Network/occasional video services	12

Westar IV—Projected launch February 1982
Westar V—Projected launch September 1982

Comstar D-2 (AT&T/GTE)	Transponder
ESPN (Rainbow Programming/Bravo-evenings)	3H
National Christian Network (subleased to Rainbow/Escapade)	4V
SIN	4H
Warner Amex	6V
HBO (Cinemax-east, temporary)	7V
Showtime (subleased to Compact Video)	8V
Trinity Broadcasting	9V
HBO	9H
American Medical Buildings	10V

Galaxy I (Hughes Communications)—Projected launch May 1983, 24 transponders, 4/6 GHz.Transponders reserved: Time Inc. (6), Westinghouse (4), Turner Broadcasting (2), Times Mirror (2) Viacom (2)
Galaxy II—Projected launch September 1983, 24 transponders, 4/6 GHz
Galaxy III—Launch date pending demonstration of market demand, 24 transponders, 4/6 GHz

Spacenet I (Southern Pacific Communications)—Projected launch February 1984, 18 transponders-4/6 GHz, 6 transponders-12/14 GHz. Transponders reserved: SSS (3) Pop Network (3) SIN (2), Landmark Communications (2), Bonneville International (3), Southern Baptist Convention (2), United Video (1), Midwest Radio & TV (1), Double-B Enterprises (1)
Spacenet II—Projected launch October 1984, 18 transponders-4/6 GHz, 6 transponders-12/14 GHz
Spacenet III—presently being built